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Moscow's power
battle
begins, Page 18

Algeria	Sc 18	Indonesia	Rp 2500	Paraguay	Esc 75
Australia	A\$ 1.00	Italy	L 1100	S. Arabia	Rb 500
Canada	C\$ 1.00	Japan	Y 1000	Singapore	S\$ 4.10
Denmark	Dkr 7.50	Korea	W 1000	Taiwan	T\$ 100
Egypt	E£ 1.00	Malaysia	RM 2.00	Thailand	Th 5.00
France	F 100	Norway	Nkr 1.50	USSR	R 1.00
Germany	DM 2.20	Philippines	Ph 20	USA	\$ 1.00
Greece	Dr 200	Saudi Arabia	R 1.00		
Holland	G 1.00	Spain	P 166		
India	Rs 100	Sweden	S 1.00		
Iran	R 1.00	Switzerland	Sfr 1.00		
Israel	N 1.00	Turkey	L 1.00		
Italy	L 1.00	Yugoslavia	D 1.00		

NEWS SUMMARY

GENERAL BUSINESS

Argentina Peugeot eases its soft line Falklands on job stance losses

GENERAL President Raul Alfonsín is expected to announce later this week that Argentina is ready to drop its insistence over the Falkland Islands must be part of initial discussions with Britain over their future. Argentina hopes that this will help break the present diplomatic deadlock between the countries. President Alfonsín was to have made an announcement in a broadcast last week, but this was postponed because of the death of Soviet President Yuri Andropov. Page 29

Peugeot Peugeot has taken a softer line than expected on job cuts at its Citroën car subsidiary. It will ask 3,500 of the 45,000 staff to take early retirement and ask immigrant workers to accept repatriation incentives. Page 29

Soviet carrier moved Soviet Union has sent a second aircraft carrier, the Novorossiysk, to strengthen its Far East fleet. Page 29

Balkan talks open Balkan states Greece, Turkey, Romania, Bulgaria and Hungary opened a week-long conference in Athens on prospects for making the area nuclear-free. Page 2

Amritsar shootings Gunmen shot dead two people in the Sikh holy city Amritsar, on the eve of new talks between Sikh leaders and the Indian Government on religious concessions and greater Punjab autonomy. Page 2

Missiles for Jordan The Reagan Administration intends to sell up to 1,800 Stinger anti-aircraft missiles to Jordan while trying to persuade Israel to agree to the formation of a U.S.-armed Jordanian strike force. Page 2

Gemayel reform plan Lebanese President Amin Gemayel repeated his determination not to resign and presented a 28-point reform plan that would be like to be discussed at a resumed national reconciliation conference in Geneva. Lebanon deadlock, Page 4

Unita claim Unita, the rebel Angolan movement, said that it had shot down a Boeing 737 carrying government and Cuban troops over central city Huambo. The national airline, however, said the aircraft landed safely. Page 4

Princess expecting Buckingham Palace announced that Diana, Princess of Wales, was expecting her second child in late September. Page 4

Bangkok plea A government-run centre for handicapped children in Thailand has asked for police protection because Bangkok gangs are trying to kidnap the children and train them as beggars. Page 2

Picassos stolen Twenty paintings by Pablo Picasso were stolen from an Amsterdam gallery. Page 2

Bar on English Bangladesh Government ruled that all proceedings in offices and courts should be written in Bangla not English. Page 4

Pupils in clashes A 15-year-old girl died and eight people were taken to hospital when pupils boycotting schools in the black township of Ateridgeville outside Pretoria in South Africa clashed with police. Page 4

Union ban attacked Representatives of 43m trade union members in Europe condemned the UK Government decision to ban union membership among workers at its intelligence communications centre. Page 4

New Soviet leader stresses economic issues

Chernenko indicates no change on arms talks

BY ANTHONY ROBINSON IN LONDON

MR KONSTANTIN Ustinovich Chernenko yesterday swept aside his defeat in the leadership struggle against Mr Yuri Andropov 15 months ago to become the sixth leader of the Soviet Union. His selection was widely interpreted as an interim appointment, and he indicated in his acceptance speech that he would carry on the cautious economic reform policies introduced by his predecessor with no change in Soviet foreign policy. The decision to select Mr Chernenko as General Secretary of the Communist Party was taken by the 12-man Politburo and announced by Mr Nikolai Tikhonov, Prime Minister, after unanimous approval by the party Central Committee which met in special plenary session. Mr Chernenko, who at 72 is the oldest man ever to become leader of the Soviet Union, has spent his entire career working in the party apparatus, most of the time as a close collaborator and confidant of the late President Leonid Brezhnev. In his nomination speech, Mr Tikhonov described Mr Chernenko as a man who "knew hard peasant labour, service as a soldier, and everyday activities of a regional party committee in the countryside." In reply, Mr Chernenko praised his predecessor and promised to carry on together with you the principled policy of our party which has been steadily and persistently implemented by Yuri Andropov. After recalling that Mr Andropov was head of the party "for a painful short time," he added: "He passed away at the very height of a great and tense work aimed at powerfully accelerating the development of the national economy; at overcoming the difficulties which our country encountered at the turn of the eighties." He pledged to carry on Mr Andropov's work and indicated that the economy and domestic issues would be his main concern. In the first part of his speech devoted to economic and party affairs Mr Chernenko indicated that he favoured giving more freedom and initiative to economic managers. He called for "a clear distinction between the functions of party committees and the tasks of state and economic bodies and the elimination of duplication in their performance." The system of economic management, indeed "the whole of our economic machinery needs a serious restructuring," he added. "The large scale economic experiment for broadening the rights and increasing the responsibility of enterprises" started by Mr Andropov would continue, Mr Chernenko said. It was only after a lengthy passage on the economy and the role of the party that he ventured into foreign policy, an area where he has little experience. This appears to indicate that foreign affairs will remain largely in the hands of foreign policy experts such as Mr Andrei Gromyko, Foreign Minister, and the military. The new leader's remarks on foreign policy reflected conventional Soviet positions. He professed loyalty to the Leninist principle of "peaceful coexistence of states with different social systems," added that "nowadays, in the age of nuclear weapons and super accurate missiles, people need it as never before." But in a thinly veiled barb at the West, he added: "Deplorably, some leaders of the capitalist countries, to all appearances do not realise or wish to realise that."

Bush 'to stress moves for peace'

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE WHITE HOUSE said yesterday that it would welcome a meeting between Mr Konstantin Chernenko, the new Soviet leader, and Vice-President George Bush, who is to lead the U.S. delegation at today's funeral of Mr Yuri Andropov. Mr Bush would "stress our commitment to peace and, in particular, to the search for mutually acceptable agreements in his discussions in Moscow," said the White House. Most Washington officials and Soviet analysts, however, believe that there is little chance of an immediate breakthrough in U.S.-Soviet relations following the change of leadership in Moscow. It is still not clear how actively President Ronald Reagan will seek a summit meeting with Mr Chernenko before November's U.S. elections, or whether Mr Chernenko would agree to such a meeting. "The U.S. Administration believes that Mr Chernenko, who may be no more than an interim leader, will still need several months to solidify his position. He is regarded as 'cautious and conservative' in Washington, and likely to continue to follow the basic policy objectives of his predecessors, Mr Leonid Brezhnev and Mr Andropov. Washington is likely to continue the conciliatory tone adopted by Mr Reagan in recent weeks, without offering major new concessions to Moscow. "We invite the new leaders of the Soviet Union to work with us in establishing a basis for greater understanding and constructive cooperation," the White House said. With the U.S. elections less than nine months away, Mr Reagan is anxious to refute his opponents' charges that he is a cold warrior and a warmonger. More immediately, he is also hoping that events in Moscow following Mr Andropov's death will distract attention from last week's outcry over his controversial policy in Lebanon. Some senior officials believe that Mr Reagan wants a summit meeting later in the year, even if it is only a "get-acquainted" session, but that he does not want to appear too eager in public. There is a strong body of opinion in Washington that thinks that Mr Chernenko and his colleagues will do nothing to facilitate Mr Reagan's re-election. The official U.S. position on a summit has not been changed by Mr Andropov's death. It is that a summit is only desirable if well-prepared and it lead to "substantive" results, not just an exchange of views. Mr Reagan's domestic political aides, however, are likely to press more strongly for a summit than his foreign policy advisers. Mr Reagan has already come under strong attack from the Democrats as the first U.S. President since Herbert Hoover in the early 1930's not to have met his Soviet counterpart, Mr Harold Brown, U.S. Defence Secretary under President Jimmy Carter, yesterday said that the same committee had been governing the Soviet Union since 1978 and was still in charge. Mr Chernenko did not have much freedom of action, he said. Mr Zbigniew Brzezinski, Mr Carter's national security adviser, said that Mr Chernenko had struck him as "a very cautious bureaucrat, very deferential to Brezhnev, not forceful, not dynamic." James Buchan adds from Bonn: Herr Volker Rube, a foreign policy expert in Chancellor Helmut Kohl's Christian Democrat (CDU) party in Bonn, yesterday greeted the naming of Mr Chernenko as Soviet party general secretary as a "gratifyingly quick solution to the leadership question in the Kremlin." Herr Rube, who is deputy chairman of the Chancellor's parliamentary party, also gave vent to a worry that has been troubling west-

Texaco wins go-ahead for Getty takeover

BY STEWART FLEMING IN WASHINGTON

THE U.S. Federal Trade Commission voted yesterday to approve the largest takeover in history, the \$1.1bn acquisition of Getty Oil by Texaco, the country's third largest oil company. The decision, by a four to one majority of the FTC commissioners, was seen on Wall Street as clearing the way for similar acquisitions of second-line oil companies by the largest U.S. oil concerns. But it was noted that the FTC decision is subject to a number of conditions which Texaco must meet and will not come into effect until after a 60-day period for public comment. Only one commissioner, Mr Michael Pertschuk, a former chairman of the FTC and the only commissioner who was not appointed during the Reagan Administration, opposed the decision, which is in line with the recommendations of the FTC staff. Mr Pertschuk claimed yesterday that the approval was "part of a pattern of relatively lax application of anti-trust laws by this administration." Perhaps the most critical element of the decision by the FTC is that no commissioner, not even Mr Pertschuk, directly attacked the fundamental logic of the Texaco-Getty merger, which will permit Texaco almost to double its U.S. petroleum reserves at a significantly lower cost than it could anticipate from its own exploration efforts or through market purchases. FTC staff pointed out yesterday that even with the acquisition of Getty's reserves, Texaco's share of domestic U.S. production capacity would increase only from around 3.5 per cent to 6.2 per cent. Ownership of U.S. production reserves is widely spread, they noted with Exxon, the company with the largest reserves, controlling only 7.3 per cent. The second largest, the British Petroleum subsidiary Standard Oil of Ohio (Sohio) controls 6.8 per cent. The commission has imposed conditions on Texaco, particularly over the ownership of some retail service stations and refineries and the requirement to continue to supply Getty customers in California at controlled prices. The FTC refused to be drawn on the implications of the decision for oil industry mergers, saying only that other companies will have to decide whether the potential constraints they will have to accept as the price of buying other companies and their oil reserves will be worth the potential limitations to which they, like Texaco, might have to submit. Continued on Page 20

Ford recovers with record \$1.8bn profit

BY TERRY DODSWORTH IN NEW YORK

FORD MOTOR of the U.S. easily broke its record annual earnings figure last year as it swung back into profit after three years of heavy losses. Net income amounted to \$1.87bn, or \$10.29 a share, against \$658m or \$3.46 in 1982, as sales jumped by almost 20 per cent from \$37.1m to \$44.5bn. The turnaround in the final quarter amounted to a little more than \$1bn, as net profits soared to \$781m, or \$4.29 a share, from a loss of \$236m, or \$1.30. Ford's previous record earnings were achieved in 1977, when it made \$1.87bn net on sales of \$37.5bn. It plunged to losses of \$1.5bn in 1980, and since then has run up an aggregate deficit of \$3.5bn. Mr Philip Caldwell, Ford chairman, said yesterday that the improvement had been made possible by a "combination of higher industry sales, the strong reception of our new cars and trucks, and the cumulative effect of productivity improvement and restructuring actions." The improved earnings had also enabled Ford to strengthen its balance sheet substantially. Shareholders' funds increased by \$1.3bn to \$7.5bn, while worldwide debt was reduced by nearly \$1bn to \$3.7bn, and cash balances increased by \$1.5bn to \$3.2bn. Ford's overseas activities, which buoyed it up during the U.S. recession, registered a decline last year as profits fell from \$460m to \$351m. The company blamed the decline on adverse foreign exchange effects in Europe and Latin America, high-

Troubled British shipyard hit by new threat to cancel rig

BY MARK MEREDITH, SCOTTISH CORRESPONDENT, IN EDINBURGH

PROBLEMS surrounding the future of Scott Lithgow, the UK state-owned shipyard on the Lower Clyde in Scotland, deepened yesterday when British Petroleum (BP) told British Shipbuilders that it would cancel a £60m order for a nearly completed semi-submersible drilling rig unless the contract could be renegotiated. The yard is already threatened with closure unless moves to sell it to the private sector are successful, after Britoil's cancellation of an £80m rig order in December. Three companies are interested in the yard. They are Trafalgar House, the property and shipping group, the UK arm of Bechtel, the U.S. international engineering concern, and Howard Doris, an Anglo-French company which operates an offshore fabrication yard in the Scottish Highlands. A BP official said last night that the rig was nearly a year behind its contracted delivery date of February 28, 1983. "We still have no clear and convincing date when it will be delivered," he added. At the end of December it said that delivery could be by March this year. The latest date offered by Scott Lithgow is April 18. But BP said that that date was unrealistic. It estimated that the rig, now 95 per cent complete, would be unlikely to be ready before mid-year. BP said that if the offer to renegotiate was rejected, the oil company would cancel the order as soon as possible. Mr Graham Day, British Shipbuilders' chairman, refused repeatedly to renegotiate the Britoil contract, which was two years behind schedule - a position which led to Britoil's cancellation. A BP official said that although the cost of the rig was £60m, the cost of the delays had forced the company to reschedule its North Sea drilling programme. It had to hire additional drilling capacity. A sister rig was ordered about the same time in 1980 from the Hyundai yard in South Korea and had been completed in 18 months. It was already operating in the North Sea. "Maximum assured compensation amounts to £2.9m but our losses amount to many millions of pounds more than that," he said. It did not want to frustrate the proposed survival proposals for Scott Lithgow. "We have taken every sensible step to avoid cancellation." The delays in the BP order had meant that the warranty had run out on some of the equipment, and the condition of other equipment had deteriorated while awaiting commissioning. A new owner of Scott Lithgow must not only satisfy Britoil that it can take over the one-third completed semi-submersible rig, but must also work out with British Shipbuilders how the BP order as well as an order for the Royal Navy can be completed. The BP rig is already floating at the dockside while undergoing fitting and the Navy's seabed operations vessel is also very close to completion. British Shipbuilders has been trying to negotiate extra time on the BP contract. Later today, Bechtel representatives meet Britoil for their first formal meeting to discuss how the engineering firm would complete the order. Howard Doris representatives meet Britoil later in the week.

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EUROPEAN NEWS

NUCLEAR POWER WILL MEET FIRST INCREASE IN DEMAND FOR FIVE YEARS

EEC energy consumption to rise

BY PAUL CHEESERIGHT IN BRUSSELS

ENERGY CONSUMPTION in the EEC is expected to rise 1.32 per cent in 1984, the first increase for five years, the European Commission said yesterday.

The overall increase in demand will be met by a rise in nuclear power generation of some 12 per cent, according to the Commission's prediction. Natural gas consumption will probably be slightly higher, but solid fuel use will be slightly lower than in 1983.

Oil demand is expected to remain broadly the same, consolidating the trend which has emerged since the first oil shock of 1973: the attempts to reduce dependence on imported supplies. By the end of last year,

the figures show, EEC dependence on imported oil had been reduced to 32 per cent of total energy requirements, compared with 62 per cent a decade before.

This reduced dependence has taken place in recent years against the background of lower prices, but unofficial estimates show that for the EEC the effect in terms of cost has been less marked than for the U.S.

This is because of the strength of the dollar, which has reduced energy costs for the U.S. - oil prices being quoted in dollars - relative to European currencies.

The expected rise in energy consumption comes as the EEC economies begin to pick up again after the recession. The Commission predictions are based on an expected growth rate of 1.75 per cent, but this might prove to be understated. Lately, growth figures have been revised upwards.

Energy consumption has been declining for four years, but this trend flattened out last year when the fall overall was slightly more than 1 per cent. But by the end of last year energy consumption was running 11 per cent less than in 1979.

The fall in oil consumption has been particularly marked, far higher than the global figure. It fell by about 4.6 per cent last year and is now 27 per cent lower than in 1973.

To some extent, the fall in imports has been taken up by domestic Community production, of which by far the largest share comes from the UK. EEC oil production rose by 10 per cent last year.

Overall, the Commission is expecting EEC energy production to rise this year, but by less than in previous years, leaving little change to the net import reliance for energy.

General Community policy has been to reduce dependence on imported oil, but in Brussels there are fears that the move towards this could slow in the face of lower prices.

Poland postpones national elections

WARSAW — The Polish Parliament yesterday postponed national elections which the authorities fear could be used to protest against the suppression of the Solidarity union movement.

The 460-member Sejm, which was to end its term on March 22, voted by 385 in favour with four abstentions on an extension of at least until the end of 1984. Parliamentary elections, normally held every four years, last fell in March 1980, four months before Solidarity was born in a wave of strikes.

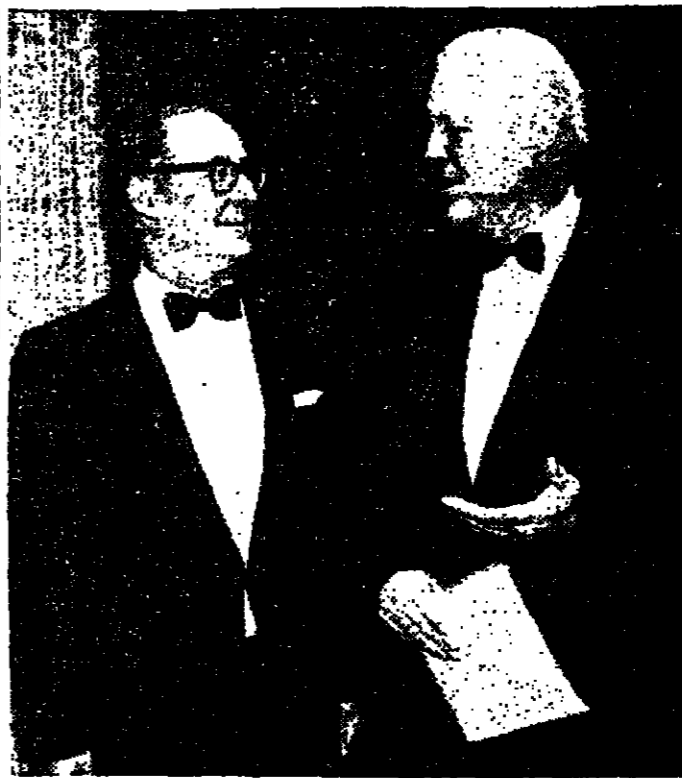
Legislators also approved a new voting system, which will be used for the first time in the local government elections due to take place in the spring.

There were no votes against either measure, though they have been criticised as undemocratic by some members of Parliament and underground leaders of Solidarity.

The latter said the new voting procedures had been drawn up in such a way as to ensure that the preferred candidates of the Communist authorities and their allies would be elected.

The names of candidates will top voting lists and will have to be defied by voters who want to show a preference for another candidate. Ballot papers need not be marked and such votes go automatically to the candidate at the head of the list. The vast majority of Poles cast unmarked ballots.

Solidarity spokesmen have urged people to boycott the elections. But it would have only a temporary effect. Agencies.



Dr Gerhard Stoltenberg, West German Finance Minister (right), with Mr Alan Hara, chairman of the Financial Times, at a dinner last night in Frankfurt to mark the fifth anniversary of the printing in Germany of the FT's international edition.

Turkey in nuclear conference

By Andriani Ierodiconou in Athens

TALKS IN Athens about creating a nuclear-free zone in the Balkans resumed yesterday with the full participation of Turkey. The talks, organised by the Papandreu Government, are also attended by Greece, Bulgaria, Romania and Yugoslavia.

The first round of the Balkan conference in January failed to get off the ground because Turkey attended only as an observer, claiming lack of preparation. Yesterday's sessions which will end on Friday, therefore provided the first opportunity for substantial discussions.

But the chances of an agreement to make the Balkans nuclear free are remote. Turkish officials say privately that Ankara has little intention of seriously considering the removal of U.S. nuclear weapons installed on its soil. The price of full Turkish participation in the conference has been the removal of the denuclearisation issue from the top of the agenda, in favour of a number of discussions on Balkan co-operation in the technical, educational and trade fields. Denuclearisation will be discussed only as a parallel issue.

Honecker and Kohl hold talks

MOSCOW — Chancellor Helmut Kohl of West Germany and Herr Erich Honecker, East Germany's leader, met for the first time in Moscow yesterday and had one hour of talks, then dinner.

The two German leaders were to have met last autumn in West Germany, but Honecker cancelled a visit after East-West German testimony over two West German allegations that West Germans had died after being detained by East German border guards. AP

Ultimatum on fees for Malta schools

By Godfrey Grima in Valletta

PRIVATE SCHOOLS in Malta have been given two weeks to declare whether they will offer free education next year. At the same time some 700 teachers employed by those schools must decide by February 24 whether they will work for the Government if their institutions are taken over by the authorities.

This development, disclosed yesterday by Dr Carmelo Mifsud Bonnici, Deputy Prime Minister, heightens the issue in which the Government of Mr Dom Mintoff, Prime Minister, wants private schools, most of which are run by religious orders, to turn themselves into free education institutions. Private schools, which last year made an aggregate loss of M£500,000 (\$532,000), say the proposal is not feasible and claim the Government wants to shut them down.

Norwegians criticised over North Sea supply vessels

BY PETER BRUCE IN LONDON

NORWEGIAN offshore supply vessel operators are using surplus tonnage in the UK sector of the North Sea, the General Council of British Shipping (GCBS) claimed yesterday. The GCBS said charter rates had fallen sharply and warned that future UK investment in offshore supply vessels was in jeopardy.

The Council was commenting on a report it commissioned from accountants Arthur Andersen, which found that a combination of Norwegian tax incentives and generous shipbuilding credit terms were making it difficult for British operators to compete.

The report singled out the so-called KS scheme, under which Norwegian operators are able to offset more than 70 per cent of their investment in net tonnage against income. In addition, Norwegian

shipbuilding credit terms run to 12 years with a moratorium of three years on repayment. Equivalent UK credit lines run to only eight years, with no moratorium.

Arthur Andersen says that a Norwegian anchor-handler of 9,000 brake horse power, financed under the KS scheme and built on more favourable credit terms, is potentially far more profitable than a competing UK vessel of 7,000 bhp. Given current flat charter rates which have halved in the past 12 months, platform and rig operators tend to favour the bigger ships in the North Sea.

Mr Peter Wordie, chairman of the GCBS Offshore Section, noted that even in conditions of oversupply, Norwegian operators were achieving higher utilisation rates than the British.

The report underlines how desperately serious the position in the North Sea has become for British owners," he said. "Furthermore, it is generally accepted that with widespread protectionism elsewhere, the export of supply ship services is heavily dependent on a strong and secure home market. There must consequently be a real danger that existing, let alone future, British investment in supply vessels will be withdrawn."

There are signs, however, that the many private Norwegian investors who have put money into KS supply vessels have themselves fallen victim to the oversupply. According to some reports, several have been forced to top up their original investment as vessels are unable to find work and now lie idle.

General strike called in Spain's Vigo region today

BY DAVID WHITE IN MADRID

A GENERAL strike called for today in the Vigo region of north-west Spain, an unemployment black spot, is the latest in a series of protests against the Socialist Government's industrial and pay policies.

Some Socialist politicians are beginning to become seriously concerned about the coincidence of labour campaigns over industrial restructuring—as in today's strike—over 1984 wage increases, and over the conditions of unemployed farm workers in the south.

Since the beginning of the month, Spain has already seen a 24-hour strike by the Communist Workers' Commissions union in different parts of the country affected by industrial cutbacks, a broadly-backed strike in the Basque region and against plans for the special

steels sector, and clashes in Madrid between police and protesters from the threatened Sagunto steelworks.

The Workers' Commissions plan to step up pressure in the public sector, where the Government is aiming to keep wage increases down to 6.5 per cent, by meetings and protests tomorrow in all nationalised companies.

A campaign of go-slows and stoppages at the state airline, Iberia, is planned from next week, followed the week after by strikes in the state rail network.

Other recent strikes range from those of municipal workers in Barcelona to hotel employees in Tenerife. According to the CEOE employers' federation, the number of hours lost in strikes rose by some 30 per cent last year.

Large advertisement for Cathay Pacific flights from Frankfurt to Hong Kong. Includes text: 'From 4th April, Cathay Pacific will fly from Frankfurt to Hong Kong', flight schedule table, and contact information for Cathay Pacific Airways Ltd.

Financial notice from Quebec Hydro-Electric Commission regarding sinking fund debentures due March 15, 1984. Includes a table of debenture numbers and interest rates.

EUROPEAN NEWS

David Marsh reports on the OECD conference on jobs
Employment: to intervene or not to intervene

"UNDERNEATH all the rhetoric, there was more agreement than expected." That was how one senior delegate at last week's OECD conference on jobs summed up the outcome of three days of talks between ministers, trade unionists and employers on ways of reducing unemployment in the West.

The outcome of such a meeting of delegates from 24 countries, devoted to complex discussions on the impact on jobs of labour market changes, new technology, international trade links and cuts in working hours, can at best be vague. The results, however, are being fed into this week's wider OECD ministerial meeting, which started yesterday and is intended to come up with ideas for improving non-inflationary growth throughout industrialised countries.

"Over the past 10 years, the EEC has created 13m jobs. The EEC has lost 4m," M Jacques Delors, the French Finance Minister, told the conference bluntly. "We admit it—Europe has not performed well. We are aware of our rigidities and our difficulties."

Behind the Delors confession was an attempt to bridge the gap between opposing ideological arguments on job creation which cleave Western governments into two separate camps. The U.S., with Britain and to some extent West Germany, last week placed stress on the merits of propagating "dynamic" economies through deregulation, easing administrative and financial burdens on companies and allowing wages to move more freely in response to market forces.

Other countries, led by France, Sweden, the Netherlands and Australia, which place more stress on demand management and consensus with unions, pleaded for a less black-and-white approach. Mr John Dawkins, the Australian Finance Minister, who is reporting on the conference at this week's OECD ministerial gathering, said that labour markets would never become as supple as markets for commodities "because they are comprised of people."

Practically all governments agree that greater labour market flexibility, coupled with specific measures to boost company investment, would make a vital contribution to reducing unemployment. But delegates like Mr Dawkins argued that labour flexibility can be improved not simply by measures to allow wages to move flexibly downwards ("pricing people into jobs"—predictably opposed by trade unions at the conference) but also by a series of other steps. These included increased disability allowances to allow disabled workers to move to new jobs, business start-up incentives and market-orientated training programmes launched by governments in close concert with employers.

Sir Douglas Wass, the retired UK Treasury, who summed up last week's discussions and will also report to this week's OECD meeting, pointed out—like M Delors—that public sector demand policies could not be neglected in job creation strategies. In his summing up, Sir Douglas said that wage restraint, by improving companies' costs, might improve investment. But for this to translate into more jobs, other public spending measures were needed. This was the same point as made by M Delors. The French Finance Minister agreed the necessity of cutting corporate charges and lowering government intervention. But, pointing to the need for infrastructure investments in decaying towns for instance, he said it was "an illusion" to expect a return without the state taking some part in the process.

Many delegates argued that, in spite of its rhetoric, the U.S. Government, through its budgetary expansion, in fact was following straightforward Keynesian demand-led reflation. This point is certain to be repeated at this week's meeting. Sir Douglas turned the tables on the non-interventionists by pointing out that too much wage flexibility could in some cases impede economic adjustment. If wages fell too low in some industries doing badly, he said this could actually keep

inefficient companies from making efforts to adapt in line with market forces. One of the most controversial papers submitted to the conference was from Mr Frank Doyle, senior vice-president at General Electric of the U.S. His remarks suggesting that high payroll taxes and social security benefits contributed to unemployment drew fire from Mr Ivor Richard, the EEC Employment Commissioner, who argued that people were out of work not because dole pay was too high, but because demand was too low.

In fact the Doyle paper argued that governments had a clear role to play in job creation, but that measures should be more market-orientated. For instance the paper suggested governments should strengthen the part of unemployment assistance devoted to training and redeployment. Too much reliance on simply maintaining incomes could impede people's efforts to move on their own into new jobs.

Business and trade union representatives at the conference, were attending an OECD inter-government meeting for the first time. One of the most positive features of the gathering was their effort to discover common ground, for instance on the usefulness of government business incentives more tailored to companies' needs. Both unions and business representatives agreed to enter into polemics over the question of wage restraint, and indicated willingness to continue dialogue at future OECD meetings.

There was also some common ground on the thorny question of working time cuts. Delegates agreed that reductions in working hours would be counter-productive if they simply added to corporate costs. But it was accepted that cuts in working time were, and always had been, an inevitable consequence of productivity improvements, and as such would continue. Significantly, underlining the general search for flexible measures to curb the jobsless rate, delegates gave greater support to reversible measures of working time, such as increases in part-time employment, than to more thoroughgoing cuts in weekly working hours. In particular German officials, who are currently battling with the unions on this subject stressed that cuts in weekly working hours would be harder to reverse later.

Netherlands cabinet split again over cuts

By Walter Ellis in Amsterdam
LESS THAN three months after its hard won victory over the trade unions on cuts in public sector pay, the Dutch cabinet is divided about what further savings should be made this year.

The majority Christian Democrat faction in the coalition Government believes that there is now room for flexibility. Where intended welfare reductions are seen to be either unworkable or—as in the case of the handicapped—unnecessarily harsh, the Christian Democrats favour leniency.

The more right-wing Liberals, however, believe that the cabinet must stick firmly to its policy of reducing public expenditure at every opportunity. Argument on the issue is said to be intense. Both sides recognise that the subject is crucial for the Government's image and for its central economic strategy of balancing the books.

Normally, such internal wrangling within the coalition would be regarded by these involved as little more than an irritant. But since the cabinet also faces a difficult time this summer on the question of deploying U.S. cruise missiles in the Netherlands, every new fissure in its structure is carefully assessed.

Two Christian Democrat MPs have so far quit the party over the cruise issue, and a further five have indicated they will vote against any decision to deploy. Another handful of defectors would be enough to tip the scales in favour of the largely anti-cruise opposition, thus precipitating a general election.

EEC gets push back on the rails

By JOHN WYLES IN BRUSSELS

THE DISSATISFACTION with the working of the European Community's institutions—expressed in differing ways last week by both President Francois Mitterrand of France and EEC business organisations—reaches something of a climax in the European Parliament today.

While others have been arguing that the defects can be remedied by a bit of institutional tinkering or a new current of political will, the Parliament wants something altogether more radical. This evening, a majority of its members present in Strasbourg will adopt a proposed "Treaty establishing the European Union" which seeks to boost the powers of the Parliament and the Commission at the expense of member governments.

It is, in other words, an attempt to put the Community back on the rails towards supranationalism. The original ideals of its founding fathers have been betrayed, say the moving spirits behind the initiative, by a decadent and flourishing resurgence of nationalism. The Community has become an inter-governmental organisation and, as such, can never establish "Europe"

as a functioning economic, social and political force. Its supporters say that only a new treaty can save the EEC from the damaging and ultimately trivial inter-club battles such as exist over the common agricultural policy and the British budget problem.

Once, the federation of EEC business organisations whose own internal workings were a mirror of the Community's difficulties, only last week made a fresh call for majority voting as an "essential condition for getting the Community moving again."

Another "live issue" addressed by the draft treaty is what should be the proper role for the European Council—the three yearly summit meetings of heads of government. Created in 1974, the Council is a political creation without powers and procedures set down by the Treaty of Rome. This is said to be one of the prime weaknesses. Its agenda and proceedings are often haphazardly prepared and executed, and its decisions very imperfectly applied.

Last Tuesday, President Mitterrand, the current president of the European Council, revealed his own frustrations at its lack of effectiveness in a

speech in the Hague. His solution was to support Chancellor Helmut Kohl's proposal for a special secretariat to serve the Council to ensure that its decisions are not subsequently frustrated by bureaucratic timidity and conservatism.

The parliamentary draft would establish the European Council as the EEC's political control rooty and overall source of direction.

The draft treaty is a political statement and not a blueprint which puts the Community in imminent danger of fundamental change. Governments are not even obliged to take much notice of it, although it is to be submitted to national parliaments for ratification.

An unknown number of MEPS do intend to feature the draft treaty strongly in their campaigns for the June elections to the Parliament. For the real evangelists, it represents a thoughtful and practical slipway down which to relaunch the Community with real appeal to the voters.

But its actual relevance is more likely to derive from the way it feeds into the growing debate over how to make the Community more effective—or rather, how to rescue it

from impotence and disarray. It takes a very clear stand, for example, in favouring the withdrawal of the right of any government to veto an agreement which strikes at vital national interests.

The Treaty of Rome clearly envisaged decision-taking based on majority voting in the Council of Ministers. But its attainment has been frustrated by the celebrated Luxembourg compromise and the consequent search for unanimity is held to be the greatest obstacle to policy development.

It would also clearly allow the European Council to establish security and defence policies for the Community, if it so wished. Since these are largely outside the scope of the current treaty, countries such as Austria (because of its neutral status) and Denmark (for political reasons) have been able to keep the security genie shut inside its lamp.

But as Mitterrand claimed last week there is a growing demand for Greater European co-operation on security. In this, as in other ways, the draft treaty adopted by the Parliament today gives some expression to popular demands for a more effective Community.

Portugal sets out terms for foreign banks

By OUR LISBON CORRESPONDENT

PORTUGAL'S banking sector, nationalised under Communist pressure following the 1974 revolution, was opened again to private capital last weekend with the publication of a long-awaited law regulating the establishment of foreign and domestic private banks.

The law sets the minimum capital requirement for a new bank at Es 1.5bn (£7.5m), the full sum to be brought into Portugal at the outset. No indication is given of facilities to hedge capital loss against the devaluation of the escudo.

The exact terms on which private banks may be set up in Portugal remain unclear, however, because the law defers to the Bank of Portugal the definition of rules governing important operational procedures, including liquidity, solvency and the credit platform.

Foreign bankers anxious to learn the capital-loan and capital-deposit gearing ratios established for the new banks will also have to wait to regulations to be established later by the Government.

In a bid to avert the one-family domination of a bank that existed before the revolution and partly provoked the nationalisation of the sector, the law establishes that no single group may own more than one-fifth of the capital of a locally-incorporated bank. This may be increased to one-third subject to government approval.

International bankers in Lisbon believe that by deferring final definition of the new law to the central bank, the Portuguese Government is aiming to limit to four or five the number of foreign banks opening

branches here. It is also thought that the number of applications will be restricted by the use of the high capital requirement and the lack of flexibility allowed for its import.

These provisions will force foreign banks setting up in Portugal to grow at an unduly fast rate to ensure an adequate return on their capital, bankers said. It is thought that this rapid expansion could have detrimental effects on the Government's attempt to control the economy and limit monetary growth.

Greek private sector pay accord

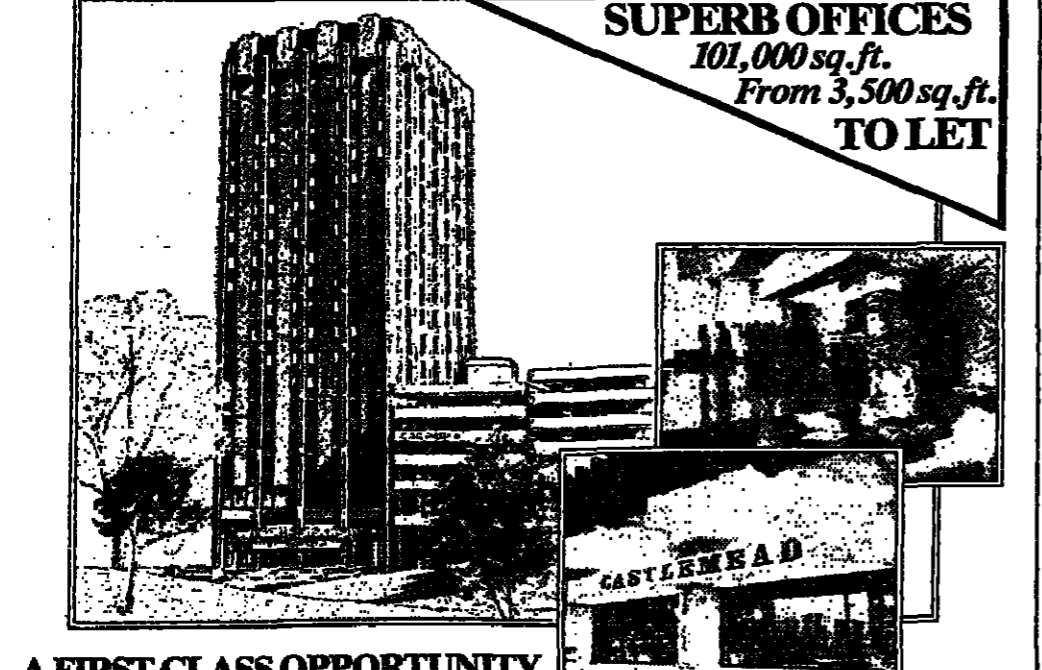
By ANDRIANA ERIDIACONOU IN ATHENS

GREEK TRADE unions and private sector employers have reached a collective pay agreement for this year after weeks were persuaded by the Labour Ministry not to insist on the obligatory linking of wages to the inflation rate. The Socialist Government has introduced automatic index-linking in the public sector.

The General Confederation of Greek Workers, representing unions nationwide, also abandoned a demand for the extension of a five-day 40-hour working week to all commercial sectors. Oga sq ETAONI ETAOIN INP In return, the employers have agreed to increase pay in line with the annual inflation rate. This is currently running at about 20 per cent. There will be an immediate 10.7 per cent rise in the minimum daily wage and monthly salary rates, to Dr 1,202 (£8.28) and Dr 27,012 (£188.28) respectively. Two subsequent increases to match the rise in the price index will follow in May and September.

Working minors' pay is also to go up from 65 per cent to 75 per cent of the minimum wage in the first year of employment; to 85 per cent in the second year; and 95 per cent in the third. Maternity leave has been extended from 12 weeks to 14, and a special bonus has been introduced for workers with more than three children or with a retired spouse. The Government's mediation was widely seen as a bid to improve the Socialists' troubled relations with the private sector.

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OVERSEAS NEWS

Beirut gripped by political deadlock

BY PATRICK COCKBURN IN BEIRUT

THERE WAS political deadlock in Lebanon yesterday after President Amin Gemayel's reiteration on Sunday that he will not resign. He hopes to form a new Government and is confident that President Reagan will continue to support him.

Fighting died away in and around the Lebanese capital on Monday because of thunderstorms. Torrential rain kept gunmen huddled in bunkers and turned the streets of the capital, which has few drains, into muddy brown water courses.

The Moslem opposition to President Gemayel would clearly like to get rid of him but do not wish to press the matter at the moment. They also want to prevent the

Christian community uniting behind him.

"At the moment we are militarily stronger," said a Druze spokesman yesterday. "Gemayel controls only the square-kilometre around the presidential palace." The Druze said he had little confidence that the President would accede to opposition demands for the abrogation of the May 17 agreement with Israel, which effectively allows Israeli forces to remain in the country until all foreign troops are withdrawn, notably the Syrians.

The significance for the opposition of the annulment of the agreement with Israel, which has always been a dead letter, is that it would be a symbol that the Government had ceased to hope that it would be rescued

by either the U.S. or Israel. The opposition believes that President Gemayel still wants the U.S. to change the military balance on the ground despite the announcement of the withdrawal of U.S. marines to the Sixth Fleet.

If the political deadlock continues the militias which took West Beirut last week will be tempted to step up their attacks. The Syrians have also said that they will respond to any further bombardment of Syrian held territory in Lebanon if the New Jersey or other naval vessels open fire again.

Diplomats believe that the U.S. appears to be softening its attitude to changes in the May 17 agreement and towards UN forces replacing the multinational force in Beirut but

they also believe that all this comes too late.

The weakness of the U.S. position is exemplified by the presence of Druze militiamen still around the U.S. embassy. Over the weekend the Druze protected the foreigners being evacuated by helicopter.

The Syrians say they are examining the idea of a UN presence but Mustapha Tlass, the Syrian Defence Minister, said they would only be deployed after the Israelis had left south Lebanon.

President Gemayel's Government only controls some 10 to 15 per cent of Lebanon, a country only half the size of Wales. It is therefore in a very weak position in negotiations with the Moslem opposition leaders or the Syrians.

Schoolgirl killed in S. Africa protests

Simmering tension over the South African Government's black education policies erupted in violence again yesterday writes Bernard Simon in Johannesburg. A teenage girl was killed and at least eight students injured during a clash with police at a school in the Pretoria township of Atteridgeville. Several police vehicles were damaged.

Four schools in the Pretoria area and in Soweto, outside Johannesburg, have been closed in the past week following class boycotts by around 2,500 students. Several incidents of stone-throwing and police baton charges have been reported.

The latest round of unrest appears to have been sparked by implementation of a new regulation barring blacks above the age of 20 from attending classes. About half the black pupils who wrote matriculation examinations in 1983 failed, and most have been refused readmission to their schools this year because they are now above the age limit.

Algeria becomes an oasis of calm

BY FRANCIS GHILES

WEDGED between Tunisia and Morocco, both recently torn by violent riots, Algeria appears an oasis of stability. President Chadli Bendjedid, who has just won a second five-year mandate, is liked and respected by his countrymen, who affectionately call him "Jeff Chandler" because of his white mane.

During his first term as President, M Chadli has not adopted the high international profile of M Houari Boumedienne, his predecessor, and has avoided lecturing the world on North-South issues. The rhetoric of revolution has given way to more rounded language and to the type of behind-the-scenes diplomacy which resulted in the release of the U.S. hostages in Iran.

At home, where the President spends most of his time, economic policy has been reassessed. More emphasis has been laid on meeting the social and housing needs of the 22m population rather than pouring money into heavy industry. Private entrepreneurs, outcasts in M Boumedienne's time, are now being encouraged so long as their activities do not endanger the state sector. Life is brighter in a country which suffered a bitter war of liberation against France and great austerity during the 1960s and 1970s. The cities have been cleaned, apartment blocks painted and new private shops and restaurants are open. The power of the security forces has been curtailed.

President Chadli has slowly, quietly and effectively consolidated his power base since 1979. Many of the barons of the Boumedienne era, such as M Abdelaziz Bouteflika, the former Minister of Foreign Affairs and M Belaid Abdelessalam, the economic overlord for over a decade, have now gone.

Senior military regional commanders have also been retired and younger officers appointed, but the army remains loyal and a guarantor of peace. The long war of liberation means that a form of osmosis still exists between the army and society. Many Algerian officials fought as guerrillas with the Front de Liberation National, still the ruling party, and retain close personal links with senior officers. The younger officer corps is very professional.



President Chadli

Algerian history went back before the Arab invasion. Arab values were all very different, the country's identity was shaped when the Berber King Massinissa opposed the Romans, 2,500 years ago. The Berbers, who refer to themselves as Amazigh or free men formed the true basis of Algeria's people, he said. Such a speech would have been inconceivable five years ago.

M Chadli's rule has been consolidated by other factors: thanks to the gamble in developing natural gas a decade ago, Algeria's oil and gas income has been steady since 1982 — it brought in \$12.7bn last year. The foreign debt has also held steady, giving the authorities free hand to make changes in the running of the economy without outside interference.

On the foreign front, the rapprochement with France has so far been to Algeria's benefit. Relations with Tunisia have improved considerably, while those with Morocco are less icy, despite the total lack of progress on the Western Sahara issue.

After the years of feverish international diplomacy of the 1970s, the past five years may appear less exciting, even somewhat dull. But reining in foreign debt, putting the economic house in order and trying to ensure less wasteful management are essential if Algeria is to face the challenges of a fast-growing population, poorly-managed agricultural resources and a lower income from oil and gas.

As the U.S. hostage crisis four years ago unfolded, Algerian diplomats are capable of pulling off remarkable coups. The country's voice is heard more often in the councils of the world than either its oil wealth or its population warrant. President Chadli can look forward to a second term which will present many challenges, but in the knowledge that Algeria has at least an even chance of meeting them, something which most of his Arab peers cannot do.

Iran renews shelling of Iraqi border towns

BY OUR MIDDLE EAST STAFF

IRAN continued its shelling of Iraqi border towns yesterday, according to a military spokesman in Baghdad. He said that the southern port of Basra again came under attack together with the towns of Mandali, Khoramal and Khamag in the central sector.

In Iran, President Ali Khamenei repeated his threat to close the Straits of Hormuz, through which nearly 20 per cent of the non-communist world's oil supplies are transported.

"I hereby declare that oil must be used as a weapon against the common enemies of Moslems... the closure of the Straits of Hormuz will bring to a stop the wheels of Western industries. We now hold this weapon," he said.

Although there were no early reports yesterday that Iraq had resumed its missile attacks on Iranian cities, officials of the Mitsui company in Tokyo said they may be forced to halt work on the \$3.5bn petrochemicals complex at Bandar Khomeini at the northern end of the Gulf.

Two Iraqi aircraft were reported to have attacked the plant yesterday with rockets and to have inflicted some damage but no casualties among the workforce.

Mary Frings writes from Bahrain: about 30 people are now believed to have been picked up for questioning in Bahrain, following the discovery of an arms cache two weeks ago.

A second Bahraini has appeared in court confessing to membership of an illegal political organisation which "receives its orders from foreign quarters" according to an official statement. The Bahraini authorities have studiously avoided any public reference to Iran.

The accused is the head of a local Shia religious group, the Islamic Enlightenment Society, but the charge refers to an organisation called the Central and Ideological Committee.

China growth target

China has set 1984 growth targets at 4 per cent for agriculture and 3 per cent for industry. Lu Dong, Vice-Minister of the State Economic Commission was quoted as saying in the China Daily. Reuter reports from Peking last week the national Statistical Bureau reported 1983 growth in agriculture at 5 per cent and in industrial output at 10.2 per cent.

Australian deficit

Australia's balance of payments as measured by net official monetary movements swung into an A\$161m (£106m) deficit in January from an A\$1.15bn surplus in December and an A\$360m surplus a year earlier, according to the Statistics Bureau quoted by Reuter. The turnaround reflected primarily a big drop in net apparent capital inflow compared with the previous periods.

Oman economy grows 5% despite fall in oil prices

BY STEWART DALBY IN MUSCAT

DESPITE an estimated drop in prices of 20 per cent for its oil over the past 18 months, Oman's gross domestic product still managed to grow by 5 per cent in notional terms last year. Oil accounts for 96 per cent of Oman's exports and over 80 per cent of government revenues. Budget figures for 1984 just released, however, project total expenditure of about Rials 1.8bn (£3.6bn)—an overall increase of 7 per cent. Defence which accounts for 44 per cent of total expenditure is scheduled to rise by 10 per cent. The effect of tighter revenues has led to a cut in the development budget from OR 362m in

Manila plans sweeping financial sector overhaul

BY EMILIA TAGAZA IN MANILA

SENIOR Philippine fiscal and monetary officials indicated at the weekend that the country's four-month-old trade and exchange controls would continue up to 1986, that there would be further credit-tightening, and that a sweeping overhaul of the financial sector was in progress.

Mr Cesar Virata, the Prime Minister and finance minister, said: "We must face the issue of more restricted imports, and this should be realised by our people."

The planned continuation of the present exchange control system means the Central Bank will continue to hold all foreign exchange receipts and then disburse them to various foreign exchange users in accordance with prescribed priorities. The last year for controls, 1986, is also the last year for the proposed external debt rescheduling.

Referring to the need to further tighten the squeeze on liquidity, Mr Jose Fernandez, the Central Bank governor, said that "We have to be realistic with what we can afford." In line with commitments made to the International Monetary Fund (IMF), last October the Government started limiting the growth of money supply and domestic credits.

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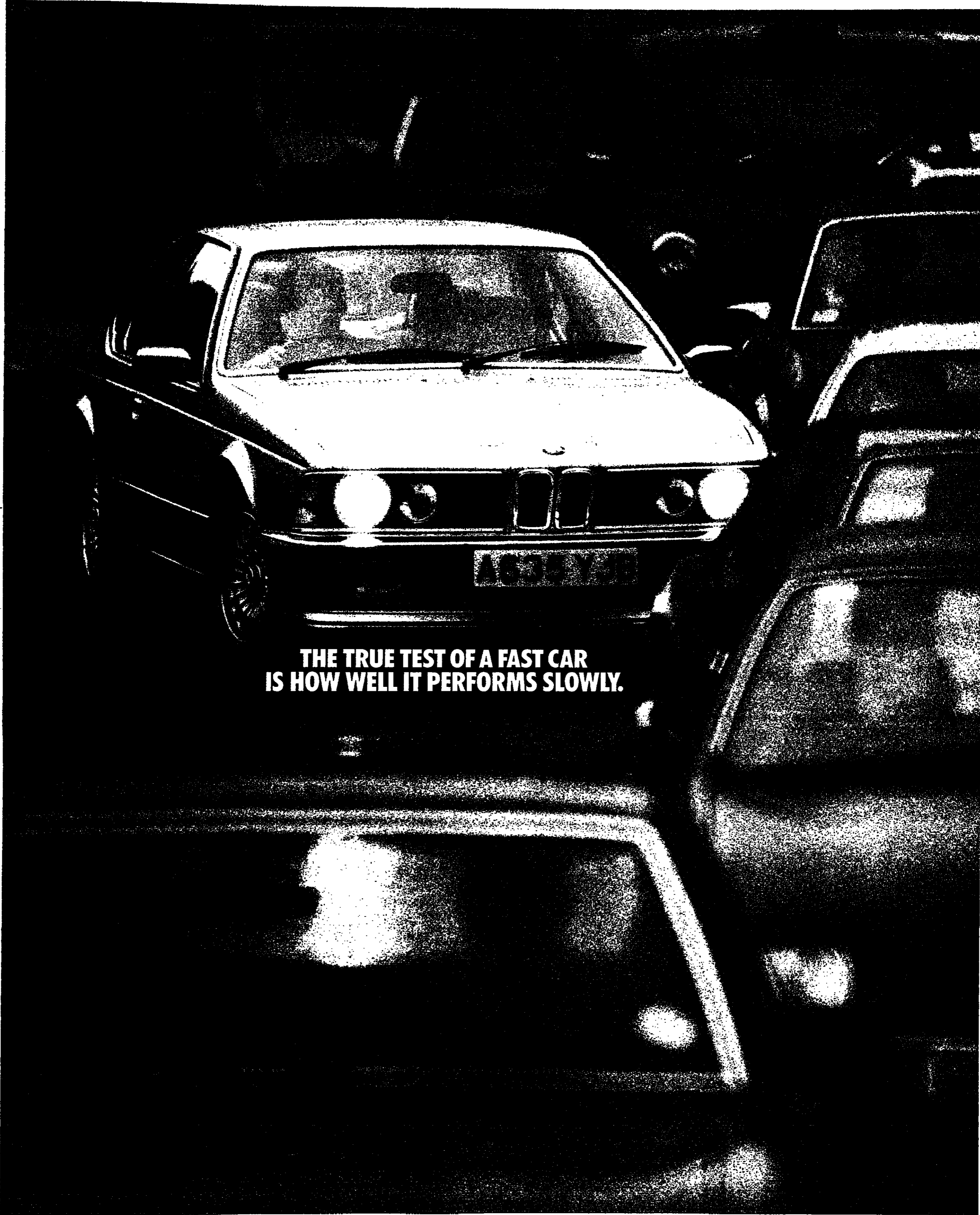
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WORLD TRADE NEWS

Taiwan's busy exporters face strong challenges

BY BOB KING IN TAIPEI

TAIWAN'S exporters are back to booming business as usual, after a slow two years that saw many companies fold but which, in the final analysis, did not severely damage the economy.

But strong challenges are facing this country's exporters, especially in the U.S. Mounting protectionist sentiment there has found ready ammunition in the nearly \$7bn (£5bn) surplus Taiwan piled up in its trade with the U.S. last year.

Taiwan is also struggling to expand its trade with Europe. The Government argues that diversification will help avoid undue reliance on the U.S., which last year took 45 per cent of Taiwan's exports.

But they also hope increased European trade will promote more substantive political ties with the European Community, which has largely frozen out Taiwan in diplomatic terms.

Despite a Government mandate to improve trade with Europe, protectionism, low demand, and the devaluation of European currencies against the new Taiwan dollar (more or less pegged to the U.S. dollar), held export growth to a minimum last year.

The total value of Taiwan's imports and exports last year exceeded \$45.4bn, which represented a growth of \$1.3bn, or roughly 10.5 per cent, over that of 1982.

Exports climbed by 13 per cent to more than \$25.1bn, and

imports increased by 7.4 per cent to nearly \$20.3bn. Taiwan was thus left with an overall trade surplus of almost \$5bn.

The Government is predicting an even bigger bonanza next year. It has projected overall trade of \$53.7bn, with exports at \$29.4bn and imports at \$24.2bn. If this projection is borne out, 1984's surplus will reach \$5.2bn.

In fact, the recovery in Taiwan's trade, especially its exports, has come faster than even the most optimistic economists predicted.

Most had said that a recovery would lag six months behind any pick-up in consumer spending in the U.S.

But Taiwan's manufacturers began feeling the increased demand almost immediately, because foreign importers moved quickly to fill depleted inventories almost as soon as new orders started coming in.

But troubles loom on the horizon for Taiwan's largely export-oriented industry. Representatives of the U.S. Congress, politically alarmed in an election year over the mounting trade deficit with this country, and concerned about Taiwan's reputation as a major centre for counterfeiting, have been threatening sanctions, such as the removal of preferential tariffs on certain goods.

These threats have, in turn, prompted promises to purchase

more American goods in an effort to narrow the trade gap, and a more vigorous pursuit of counterfeiting.

Rice, the traditional Taiwanese staple, also could harm bilateral relations. A Taiwan Government programme of subsidies to rice farmers brought prices of Taiwanese rice well below those of U.S. rice on the international market earlier this year.

U.S. rice growers therefore, brought a complaint to the American Government.

Although Taiwan does not export its rice to the U.S., the controversy provides protectionists in Congress with still more ammunition.

Thus, Government sentiment currently favours increased buying from the U.S., but ironically this comes at a time when Taiwan is trying to expand its ties with the EEC.

Taiwan lost enormous face recently when the Dutch Government refused to approve the sale of four submarines to Taiwan. The purchase would have at least partially financed the completion of two similar ships the Taiwanese ordered two years ago from a Dutch shipyard.

Those ships were destined primarily to train Taiwan's navy on anti-submarine surveillance and would not, in any case, prove a major deterrent to a determined assault by Peking in the island.

Denmark last year joined 10 other European nations with trade offices in Taipei, and three new European banks—Amro Bank of Holland, Banque Nationale de Paris and Crédit Lyonnais—have either opened branches in Taipei recently or plan to do so soon.

Taiwan's efforts to increase its European trade have paid off to some extent. Its exports to West Germany were up 8 per cent last year, giving Taiwan a trade surplus of \$158m, compared to nearly balanced trade in 1982.

Exports were also up to the UK (17 per cent), the Netherlands (16 per cent), and Belgium (3 per cent). Exports slumped sharply to France (15 per cent) and Italy (12 per cent) during the period.

Nevertheless, total trade with these six European nations last year left this island nation with a trade surplus of \$547m.

Mr Barzak noted, however, that British suppliers could get sizeable orders as these would be linked with the hard currency earned by exporting Skoda cars to the West.

Some 11,000 Skodas were sold in Britain last year compared

with fewer than 5,000 in West Germany. He qualified this somewhat by adding: "We will buy where we can get the best credits and price."

The required car industry equipment, one of the largest single import items in the current five year plan, cannot be purchased, he said, with existing Western lines of credit to Czechoslovakia.

Mr Barzak previously headed Skoda's sales organisation in Britain. He noted that West Germans were in constant touch with prospective Czech purchasers and he maintained, added better representatives.

West German exports to Czechoslovakia last year stagnated at DM 1.4bn (£358m) while imports from Czechoslovakia were up 7 per cent to DM 1.5bn.

Austria, Czechoslovakia's second-ranking Western trade partner after West Germany, experienced a fall in exports to Czechoslovakia of some 10 per cent last year from the 1982 level of Sch 4.3bn (\$186m).

Imports from Czechoslovakia rose by approximately 1.5 per cent from the 1982 level of Sch 3.5bn.

UK exports to Czechoslovakia last year amounted to \$84.4m, according to Department of Trade statistics. This was the same as in 1981 and a drop in real terms.

Czechoslovak exports to the UK however, rose from \$82.5m in 1982 to a record \$101m last year.

Czechs plan to spend \$100m with West to improve car industry

BY LESLIE COLITT, RECENTLY IN PRAGUE

CZECHOSLOVAKIA plans to spend more than \$100m (£71m) on Western imports to modernise its automobile industry and is informing Western suppliers of its precise needs.

Industrial robots, transfer lines and paint shops will be required from the West in order to produce a new front-wheel drive Skoda car, to be introduced in 1987.

Mr Andrej Barzak, a director of the Motokov foreign trade corporation in Prague, claimed British automotive supplies were slow to respond to notification by the Czechs.

He said that after the West German commercial attaché in Prague had made the rounds of the chambers of industry and trade in West Germany, Czech companies were now doing much of the preliminary work for "our purchasing people."

Potential British suppliers were informed of Czech needs through the automotive working group in the Czechoslovakia-UK joint trade commission.

They are said to have better chances of selling licences to the Czechs for components such as brakes and lighting than for equipment.

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Tougher time ahead for European exporters

BY OUR TAIWAN CORRESPONDENT

TAIWAN'S imports from six major European nations increased by about \$50m (£35m) last year, reflecting an across-the-board pick-up in economic activity.

Nevertheless, imports from the six—West Germany, the UK, the Netherlands, France, Italy and Belgium—accounted for only about 9 per cent of Taiwan's \$20.3bn in purchases, down from 9.4 per cent a year earlier.

Taiwan's attempt to mend fences with the U.S. over the

widening trade gap, which left Taiwan with a nearly \$7bn surplus last year, plus strong competition from Japanese suppliers, will probably lessen the chances of European suppliers of goods and services to this nation over the next few years.

But that probability could be cut significantly if Taiwan allows international bidding on several major infrastructural projects coming up, and if European suppliers should prove aggressive in promoting their wares.

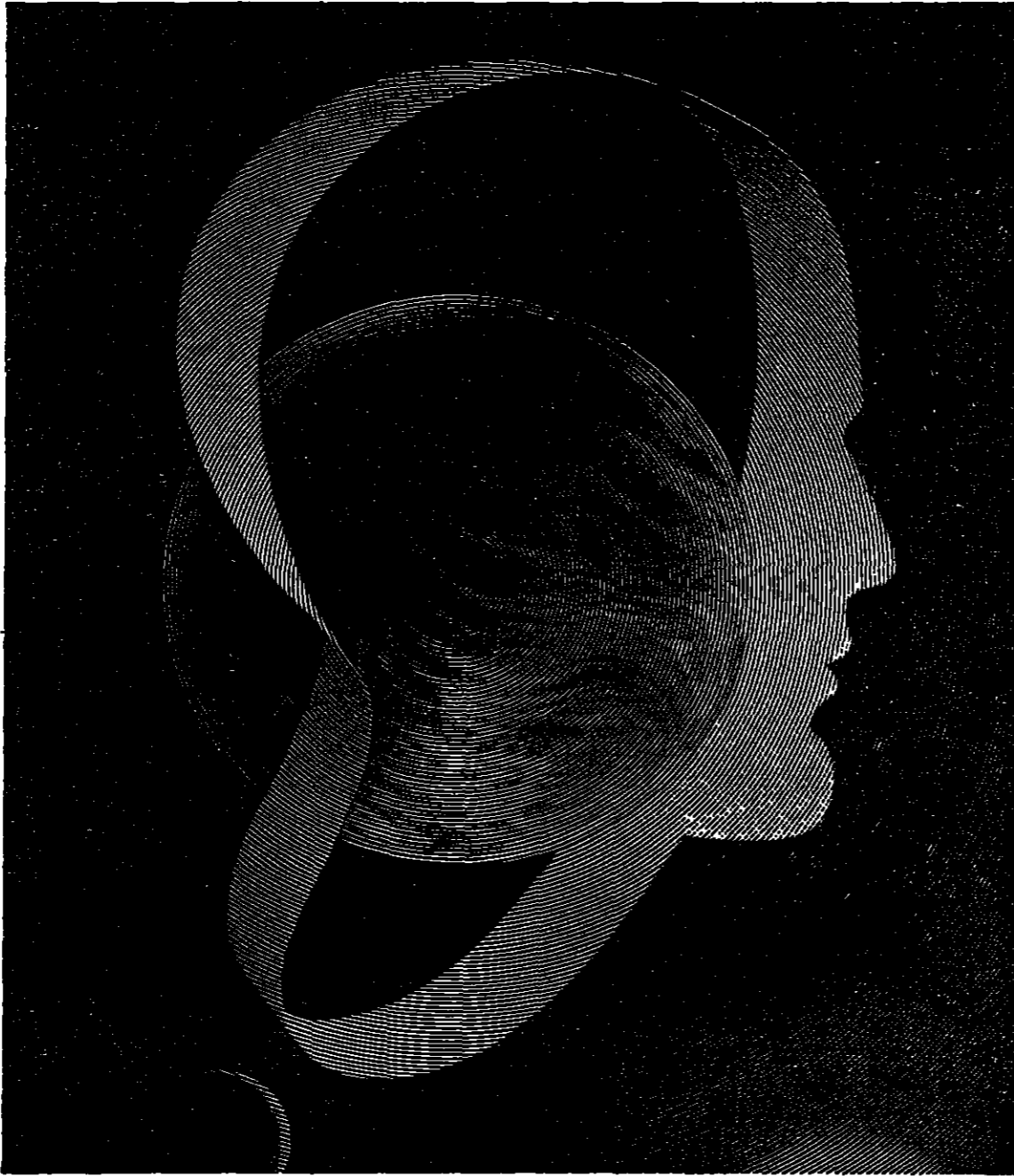
The Government will also open bidding for wastewater-

control and processing systems early this year for a pork-processing plant in southern Taiwan.

China Steel's third-stage expansion could also offer opportunities for European suppliers of heavy equipment.

Taiwan power may also revive plans for its fourth nuclear plant this year.

Telecommunications also offers tremendous potential, especially in digital-switching and transmission networks for computerised data.



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ECGD's financial position secure, says Minister

BY OUR TRADE EDITOR

THE FINANCIAL position of the Export Credits Guarantee Department is secure despite an imminent cash deficit, Mr Paul Channon, Trade Minister, claimed yesterday.

Mr Channon, who is the Minister responsible for the ECGD, said that the department's borrowing from the Consolidated Fund should be viewed "in the light of ECGD's assets—well over £800m."

"Many of these assets are backed by formal international agreements and no country has ever defaulted on such commitments."

The Department is expected to run out of cash reserves by the end of next month and the deficit, the first for over 30 years, could persist for two years. Officials are privately forecasting that the "overdraft" with the Consolidated Fund could climb to £300m or £300m before abating.

The Minister's reassuring statement yesterday can be seen as an anticipatory attempt to allay fears that the Depart-

ment will become a charge on the taxpayer.

Mr Channon told City members of the Export Guarantees Advisory Council that the possibility of the Government's export insurance agency becoming a borrower "was always envisaged" by those who created it. It had been a borrower in the past without causing embarrassment, he said.

March will depend on the successful negotiation of a refinancing of Nigeria's trade arrears, where the ECGD faces claims of between £600m and £800m. Mr Channon observed: "We must all hope for a speedy resolution of Nigeria's problems."

Following pressure from MPs and the Treasury, the Department has for the first time made a small provision against sovereign debt in its accounts. But, as Mr Channon said yesterday, it regards outstanding country debt as part of its asset base and expects interest on overdue payments to cover the major part of its domestic borrowing requirement.

Rhone Poulenc in crop-seed joint venture

By David Marsh in Paris

RHONE-POULENC, the French state-owned chemical group, is launching into the fast-developing sector of crop seed production by starting a joint research venture with the specialised U.S. company Seedtec International.

Rhone Poulenc is already present in a number of other agricultural sectors. The step will give it a presence in an area where new seed varieties with potentially revolutionary implications for food production are now being created, thanks to genetic engineering techniques.

Seedtec is a subsidiary of Kay Corporation, the U.S. vegetable oil group. The initial plan is for Rhone Poulenc to collaborate in sunflower research at Seedtec's two seed selection units at Woodland in California and Fargo, in North Dakota. Later Rhone Poulenc hopes to set up seed research centres in France and possibly other European countries.

Gambro signs U.S. open-heart equipment pact

By David Brown in Stockholm

GAMBRO, the fast-growing Swedish maker of kidney dialysis equipment, has signed a distribution agreement with Sterile Designs of the U.S. to market equipment used in open-heart surgery.

Gambro has announced an immediate increase in employment of some 50 per cent in its facility producing heart-lung equipment and its newly-introduced bubble oxygenator. It expects to win 5 per cent of the U.S. market within 12 months, said Mr Lennart La Fleur, a company official. The U.S. accounts for about half the total world cardio vascular market worth about \$950m (£250m).

Gambro has a 20 per cent world market share in kidney dialysis equipment, but its cardio vascular production now makes up only a minor part of total sales. Expansion in this field is a logical diversification, Mr La Fleur said.

Fujitsu prepared to make magnetic discs in U.S.

BY YOKO SHIBATA IN TOKYO

FUJITSU, Japan's leading computer manufacturer, says it is prepared to manufacture large-capacity magnetic disc systems in the U.S. The plant site, and a production date have yet to be decided, a company official spokesman said.

However, Fujitsu has a 24 per cent stake in the Amdahl Corporation of Sunnyvale, California, and also operates a U.S. marketing subsidiary, Fujitsu America, in California. The company says it is preparing for the start of production by 1985.

Fujitsu's U.S. plant is expected to manufacture the disc systems with memory capacity of 300-400 megabytes to respond to demand from the

U.S. computer peripheral equipment makers.

The magnetic disc systems produced in the Fujitsu U.S. plant will be provided to Amdahl, the NCR Corporation, and Memorex.

The size of export market of large-capacity magnetic disc systems in fiscal 1983 ending in March is expected to reach ¥40bn (£120m), doubling the previous year's level. A further 30 per cent growth is expected in the fiscal 1984.

Fujitsu's U.S. production should boost the company's market share in the world large-capacity magnetic disc systems to 17 per cent from 12 per cent in 1983.

AMERICAN NEWS

Arrests in crackdown on hi-tech exports

By Terry Dodsworth in New York

U.S. OFFICIALS leading the crackdown on the drain of technology and military equipment to the Communist bloc are claiming a major coup with the arrest of five men in New Jersey.

The five were said to be conspiring to smuggle \$10 million worth of classified high technology military equipment to China for use in missile guidance, radar jamming and electronic surveillance. They were arrested after an elaborate investigation ending in a staged meeting in which an undercover agent was given a shopping list of 14 items.

Mr. Patrick O'Brien, an assistant commissioner for enforcement with the Customs Service in New York, said after the men were taken into custody that it was "clear" they were planning to divert the equipment through Hong Kong to Beijing.

He added that one of the men, Mr. De-Chun Zheng, was a citizen of the People's Republic of China and had ties with the country's military, although he was now living in Hong Kong. Mr. Zheng was claimed to be using his Hong Kong company as a front for his illegal operations.

The arrests follow moves by the present administration to step up controls over all types of high technology equipment leaving the U.S. last year, three federal agencies, the customs service, the Federal Bureau of Investigation and the Commerce Department, put together operation exodus, a programme aimed at curbing the flow of technology and military secrets overseas.

According to Mr O'Brien, the case started when Mr Kuang-Shin Lin, a native of Taiwan who was working for AT and T information systems, emerged as a buyer for 100 transverse wave tube amplifiers, equipment that is sold only to Nato countries.

An undercover agent posed as an arms supplier willing to sell this equipment, establishing contact with Mr Lin and other members of the group that has been charged. Meetings in restaurants and cars were videotaped, and led finally to the rendezvous on Saturday night at which Mr Zheng was arrested.

Reagan maintains clear lead in polls

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT Ronald Reagan continues to show a clear lead over his two main Democratic rivals in his bid for re-election, according to the latest opinion polls. A Newsweek magazine survey published yesterday showed him beating former Vice President Walter Mondale by 53 to 43 per cent and Senator John Glenn of Ohio by 56 to 40 per cent.

The figures were in line with a Los Angeles Times poll published at the week-end, which showed Mr Reagan beating Mr Mondale by 50 to 42 per cent and Mr Glenn by 51 to 35 per cent. Both polls appeared to undermine Mr Glenn's claim that he is better placed than Mr Mondale to defeat Mr Reagan in November.

The Newsweek poll showed that most voters regarded economic issues as far more crucial than events in the Middle East, which was described as the most important issue by only 6 per cent of the respondents. A substantial 63 per cent said that it was "highly likely" that Mr Reagan would be re-elected.

The poll found that 63 per cent of the voters wanted the U.S. marines withdrawn from Beirut. It was conducted, however, before Mr Reagan's announcement last week that the marines would be pulled back to ships offshore.

The Newsweek pollsters concluded that, barring major marine casualties before the pullback is complete, the political risks for Mr Reagan in Lebanon seemed manageable.

Mr Mondale continued to run far ahead of the pack in the eight-strong Democratic field, with 54 per cent support from Democratic voters. Mr Glenn was a distant second with 16 per cent, followed by Rev Jesse Jackson with 10 per cent. No other candidate received more than 3 per cent support.

Duvalier 'victory'

By Reginald Dale, U.S. Editor, in Washington

PRESIDENT-for-life Jean-Claude Duvalier of Haiti was assured of an overwhelming majority in the new 59-seat National Assembly after Sunday's elections from which opposition candidates were effectively debarred.

Terry Dodsworth, in New York, wonders whether competition is causing standards to slip Free-for-all in the air creates safety concern



In the new competitive environment, airlines have been forced to trim expenditure wherever possible. Safety, it is argued, most forcibly by the pilots, is one of those intangible factors that can easily be pruned. The general public is not aware of the danger until it is too late. Meanwhile, the increased number of carriers has put further strains on the FAA.

Mr Henry Duffy, president of the U.S. Air Line Pilots' Association, told the House of Representatives' aviation subcommittee recently: "Instead of actively pursuing the highest degree of safety, it appears to us that, both in the name of and

as a result of deregulation, our safety cushion has become somewhat deflated. The Government has allowed this to happen." Mr Duffy is now arguing for some measure of re-regulation of the industry. Until the beginning of 1982, he says, the Air Transport Association had seen 26 fatality-free months. In the subsequent 12 months, there were five fatal aircraft accidents, with a total of 236 deaths. "Two of these fatal crashes have been associated with deregulation," he adds.

The pilots' concern for safety is undoubtedly genuine. But they also have a special axe to grind. More than any other

employee group they are suffering financially — in relative terms, at least — from the competitive new era which dawned with deregulation: some pilots' salaries have dropped to under \$50,000 (£25,460) a year from at least double that as airlines have forced them to renegotiate contracts which had made them among the best-paid workers in the U.S.

There are plenty of critics of the pilots among airline management, who point out that the idea of putting a regulatory floor under prices may not be unrelated to the notion of establishing a similar floor under wages. Managements also claim that they are working under

exactly the same safety constraints as before deregulation. Mr Stephen Quinto, for example, a pilot who founded North-eastern International Airways only two years ago on the Florida-New York run, says that his company is under as strict a surveillance as any he has known. "There has been no change in operating specifications since deregulation. We have inspectors attached to us from the FAA just as we would have had before."

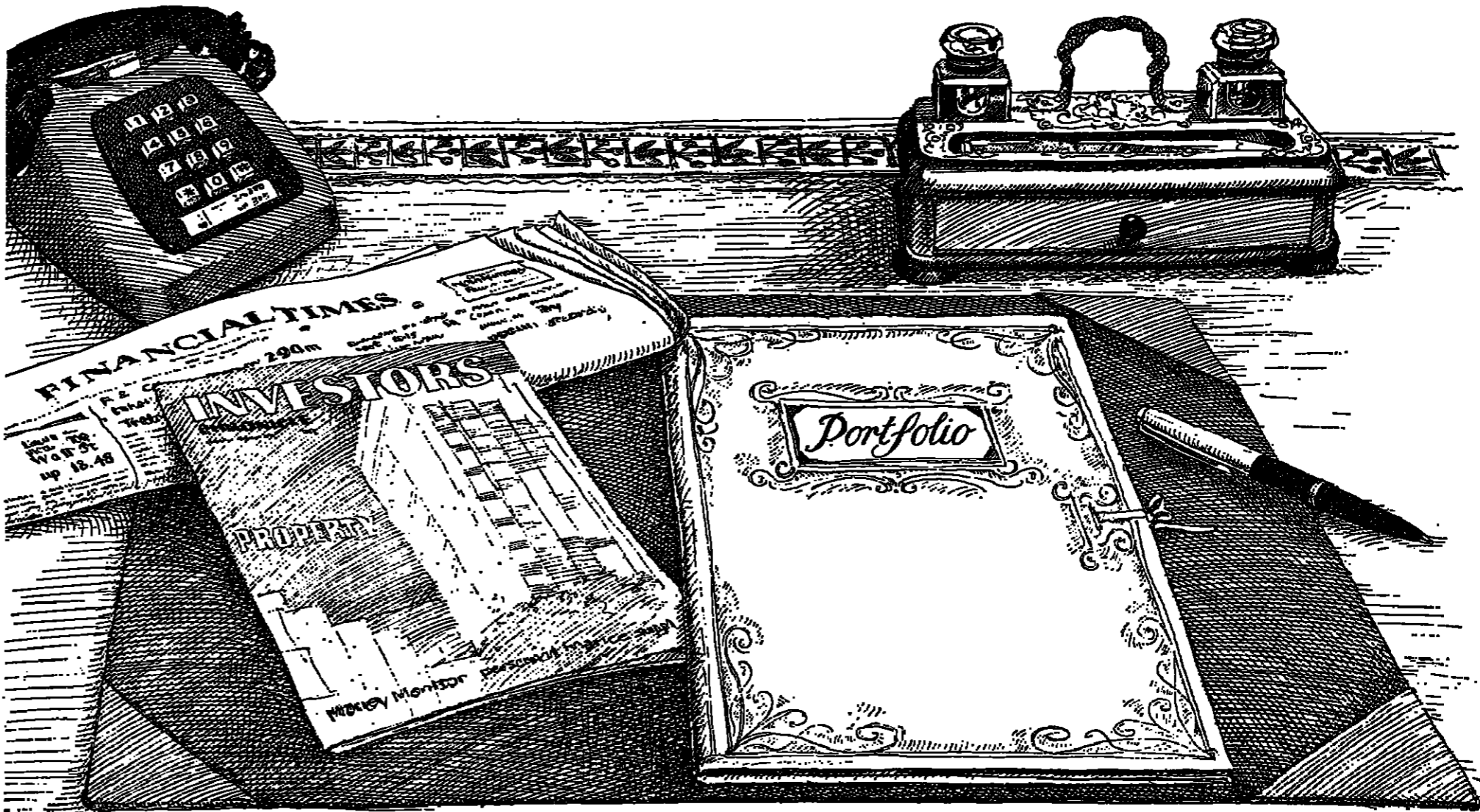
The FAA also stresses that last year produced particularly good safety figures for the small commuter lines which have attracted a lot of the criticism, and on which the groundings

have been concentrated. The statistics show fewer accidents last year than at any time since the figures began to be collated in 1975.

Even so, the jury is still out on the issue, and clearly will remain so until the airlines have settled down into their post-deregulation shape. As the pilots point out, the FAA standards only set a safety minimum which many airlines have voluntarily exceeded in the past — often because of union pressure; and the established companies have a wealth of experience in their workforces which the newcomers cannot hope to match.

In the new environment, the biggest question mark hangs over longer working hours — an issue to which the flying public is now fairly alert. Shortly after Continental Airline filed for Chapter 11 bankruptcy last year (a system that allows it to continue running temporarily), and forced its workers to accept tough wage concessions, one of its airliners mistook its landing run on a snow-bound airport in Denver, and touched down on a taxiway. Although the initial reaction was to blame long working hours for the error, it now seems that it was caused by excessive glare on a peerlessly sunny day when the runway markings were hidden under the slush. But the level of public interest raised by the incident shows that the safety issue will not quietly disappear.

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European officials detect softening on U.S. deficit

By David Housego in Paris

EUROPEAN Governments were yesterday encouraged by what they detected as a somewhat greater readiness by the U.S. administration to concede the need for further cuts in the American budget deficit.

Both Mr Beryl Sprinkel, U.S. Under secretary for Monetary Affairs at the Treasury and Dr Martin Feldstein, the President's Chief Economic adviser, were said by European officials to have spoken in similar terms about the need for cuts in the deficit at a private lunch at the special Ministerial conference of the Organisation for Economic Co-operation and Development (OECD) that opened in Paris.

The apparent harmony of views over the deficit is in sharp contrast to the recent conflicting statements in Washington between Dr Feldstein and Mr Donald Regan, the U.S. Secretary for the Treasury, who had attended the OECD conference but withdrew a week ago.

The private statement of U.S. views yesterday was also in contrast to the rebuff that deputy finance ministers from the Group of Seven industrialised countries got in Washington last month when they pressed on the U.S. the need for further cuts in the deficit to help ease interest rates.

Though European officials

yesterday clearly welcomed the change in tone, they were uncertain whether it signalled any change of policy. They noted that Mr Sprinkel and Mr Feldstein disagreed in their private assessments of the future of the dollar. Mr Sprinkel did not see how it could fall in the near future while Mr Feldstein believed there would be a weakening.

The private lunch for Ministers and senior officials to discuss the impact of current policies was arranged as part of a two-day OECD conference on longer-term issues of economic growth. Most delegations from the 24-member industrialised nations were agreed on the need to cut Government spending and budget deficits.

But M Jacques Delors, the French Finance Minister who originally proposed the meeting, warned that there were dangers in going too far. He said that discussion was needed on the quality of public spending to maintain investments — such as urban rehabilitation — that safeguarded the future.

Mr Peter Rees, Britain's Chief Secretary of the Treasury, told the conference that budget discipline was not incompatible with economic growth as witnessed by the 3 per cent annual rise in real GNP Britain enjoyed this year and last.

'Agent Orange' deaths reported in Brazil jungle

By Andrew Whitley in Rio de Janeiro

AT LEAST 50 people are believed to have died over the past three years in the interior of Para state, in Northern Brazil, as a result of poisoning from the herbicide containing "Agent Orange", the defoliant used by the U.S. during the Vietnam war.

The herbicide, manufactured largely by the U.S. multinational Dow Chemicals, was used over a 300-yard wide strip of jungle, 125 miles long, along the planned route of a new electricity transmission trunk line.

The poison was carried by water and air well beyond the planned strip, affecting in particular the residents of a small town of Tailandia, near the Tocantins River.

Spontaneous abortions by 31 pregnant women are blamed on the herbicide, sold in Brazil under the brand names Tordon 161 and 155. Over 5,000 domestic birds and animals have apparently also been poisoned.

In Tailandia, vegetation and

wildlife has either been destroyed or is producing abnormalities, and agronomist who is leading the campaign to publicise the disaster believes effects could last at least ten years.

News of the tragedy was broken over the weekend by the mass circulation daily "O Globo" whose journalists had accompanied the investigations of a team of scientists from the federal Secretariat for the Environment.

According to the newspaper, the tragedy resulted from the careless application of the highly toxic herbicide by a company contracted by Electronorte, the electricity supply utility for Northern Brazil, to clear the vegetation along the route.

The Environment Secretariat in the Para state government have apparently been denouncing the disaster for months, but until this weekend's publicity nobody seems to have taken their claims seriously.

UK NEWS

Board reshuffle follows nuclear plant inquiries

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITISH Nuclear Fuels (BNFL) will today announce a boardroom reshuffle and accelerated expenditure on the discharge system into the sea of effluent from its Sellafield factory.

The factory, formerly called Windscale and in north-west England, handles the processing of nuclear waste. Last November, radioactive discharges from the factory contaminated the Irish Sea and the public had to be warned to keep away from local beaches.

BNFL's announcements today will coincide with the publication of two government reports into the incident. The company will also be publishing the conclusions and recommendations of its own internal inquiry.

It is understood that the three reports are in broad agreement both about what happened and what should be done to prevent a recurrence. All parties see the incident as a serious misdemeanour by BNFL.

The company is rearranging its investment priorities to speed more quickly on the seaboard end of the effluent system at Sellafield.

Although this part of the factory

is about 30 years old, it had been given low priority in the £1bn, investment programme to refurbish the Magnox nuclear fuel activities. Of the £1bn, BNFL estimates that it had authorised an investment of £34m, on radioactive waste management at the factory between 1973-83. Of that investment, £281m, has already been spent.

A total of £139m has been aimed specifically at reducing the environmental impact of discharges of radioactive effluent and emissions. Of that, £106m, has been spent. BNFL plans to bring forward a capital expenditure of about £12m, relating to the total renovation of the low-activity effluent treatment system where last November's accident occurred.

The company has already taken several actions to prevent any recurrence. It has sealed the system to prevent any traces of highly radioactive material finding their way into the low-activity discharge system, and then into the sea.

Much of the £12m may be needed to instrument fully a system which has been found to have depended unduly in the past on administrative arrangements.

Hundred-share index 'goes live'

EVERY day since January 3 a team of a dozen price reporters has been in constant action on the floor of the London Stock Exchange, monitoring the share prices of the one hundred most highly capitalised companies listed on the London market.

Each price change has been almost instantaneously keyed into one of 10 price input terminals arranged around the trading floor. The information has been used to generate a minute-by-minute index of share prices - until this week on a trial basis.

Yesterday the FTSE 100 Index went "live." At 9.35 am it became available to all subscribers to the stock exchange's electronic information system, Topic.

The FTSE 100 Index has been created because of the requirement of Life, the London financial futures market, for an index which could support a new futures contract based upon the UK equity market.

In the U.S., trading in stock index futures has been a resounding success, and the introduction of a similar instrument in London is imminent. An announcement was due to have been made yesterday, but was temporarily postponed until some technical points about the impact of stamp duty have been clarified.

Two major indices of prices on the London stock market are already well established. They are the FT Industrial Ordinary Share Index, covering 30 shares, and the FT-Actuaries All-Share Index, a

A new index based on minute-by-minute share price movements of 100 leading companies was launched yesterday. Barry Riley explains how it came about.

much more comprehensive indicator which is currently based upon as many as 747 individual shares. The first is designed to give a frequent (hourly) picture of how the market's leading stocks are moving. The second is constructed to provide a daily (market closing) measure of the overall level of the market so that portfolio managers can make performance comparisons.

It was decided, however, that neither of these indices suited Life's particular needs. A key requirement was that the index should be "real time," that is, calculated as instantaneously as possible.

A possible solution would have been to turn the FT 30-Share Index into a real time index. The volatility of the 30-Share Index also commended itself to the futures dealers, who expect to do more business when the market indicators are moving rapidly. For the same reason, they were unenthusiastic about such a broad index as the All-Share, which tends to move comparatively sluggishly.

But there was another important factor for Life to consider. Stock index futures will allow investors to hedge against future movements in

the equity market. The big institutional investors will find this satisfactory, however, only if the index upon which the contract is based moves in line with the value of a typical institutional portfolio.

This consideration made the FT 30-Share Index unsuitable on two counts. It is an unweighted geometric index, which is not intended to move as a real portfolio of 30 shares would. And moreover its constituents are drawn from the industrial sectors rather than from the market as a whole - there are no banks or insurance companies in the thirty.

In contrast the All-Share Index is a weighted arithmetic index which mirrors a real portfolio's performance. But turning this into a real time index by continuously monitoring 747 share prices would have been a daunting task. It was not judged to be a practical proposition.

Eventually, therefore, it was decided to create a new index which would be precisely tailored to Life's needs. It would be of weighted arithmetic construction. And it would strike a new compromise at 100 constituents.

Detailed plans were drawn up towards the end of last year. The ba-

sis of calculation is much the same as is used for the F.T. Actuaries All-Share Index, and the initial constituents were simply the top 100 stocks in terms of market capitalisation.

The base level was set at 1000, as at the close on the last trading day of 1983, December 30.

It was found that congestion at the start of trading at 9.30am made it desirable to delay the first index calculation until 9.35am. From then on, the computer operates at one-minute intervals. For 60 seconds it monitors the price changes which are being continuously collected from the jobbers and keyed into the terminals. Then it recalculates the index - a process which takes about 2 seconds.

Calculation continues well after the official close. Jobbers leave the trading floor at 3.30 pm, but continue to trade by telephone from their offices. Normally the index closes between 5.10 and 5.20, but the exact timing depends on the level of activity of the jobbers, and in exceptional circumstances the computer could continue in action after 5.30.

The lowest closing level of the FTSE 100 so far has been the 997.5 set on its first day, January 3. The closing high point was 1075.9 on January 27. The intra-day extremes are naturally a little wider than these - 993.3 at 9.42 on January 4, and 1077.8 at 9.50 on January 30.

Hewlett-Packard to invest £10m in British operations

BY GUY DE JONGHERES

HEWLETT-PACKARD, the U.S. electronics group, plans to increase employment at its operations in South Queensferry, near Edinburgh, from 800 to about 1,500 by 1988.

About 300 of the jobs will be created at a newly formed division which will make microwave communications products. The project will involve a total investment of about £10m over the next few years and will employ 100 people by the start of next year.

The business is intended to meet demand for mobile radio and cellular radio-telephone test equipment throughout Western Europe. It will initially make products developed mainly in the U.S., but Hewlett-Packard expects it to build up its own engineering and development facilities.

The other jobs will come from an expansion of Hewlett-Packard's existing telecommunications activities. The company is completing a £5m, 100,000 sq ft extension to its factories in South Queensferry and says that it will need to add a further plant of similar size in the next three years.

The company coupled its announcement with a warning that Britain would face a severe shortage of trained electronics and com-

puter personnel by 1987. "Current levels of undergraduates intake fall far short of projected demand," said Mr David Baldwin, managing director of Hewlett-Packard's UK subsidiary.

Urgent steps must be taken to increase the numbers of computer-literate graduates and to provide them with suitable equipment to train on. But Mr Baldwin saw little sign of any decisive action being taken.

Hewlett-Packard's UK subsidiary invested £14.7m last year, 67 per cent more than in 1982. The increase was partly responsible for a drop in its pre-tax profits to £12.5m from £13.8m on turnover of £200m (£168.8m). Hewlett-Packard's worldwide turnover was \$4.7bn last year.

The company employs more than 2,500 people in Britain. As well as the South Queensferry plant, it has a software centre near Reading, Berkshire, and a computer peripherals factory near Bristol, where it is also setting up a research and development laboratory.

More than 80 per cent of output from South Queensferry and Bristol is exported. But because it still imports many components, the company does not expect to become a net exporter for another three to five years.

Cassette plant expands

BY ROBIN REEVES, WELSH CORRESPONDENT

THE 3M company of the U.S. is to invest a further £18m at its videotape plant in Swansea, South Wales. The investment is to expand output, reduce unit costs through greater automation and to improve product quality with computerised inspection techniques.

The expansion follows a £18m investment programme at the site over the past two years to triple output of 3M's Scotch brand videotape to 12m cassettes a year. By 1987, if plans are fulfilled, the plant will produce 47m tapes a year.

The factory employs 1,000 people and the company said the scale of

the new investment would help to maintain jobs. The project has been given Welsh Office selective financial assistance.

● Intermetronics, a subsidiary of Agra International, has announced that its factory at Wrexham, North Wales, is to begin manufacturing 3.6m video cassettes a year under its new Zimtag label.

That follows its securing of a licence to produce VHS tapes from JVC, the Japanese patent holder. Since the Wrexham plant opened in 1982, it has manufactured bulk videotape only.

TV-am needs further £3m, auditors say

BY RAYMOND SNOODY

AN INDEPENDENT audit of the books at TV-am, the troubled commercial breakfast television company, has produced a "realistically optimistic" assessment of the company's future prospects.

Kleinwort Benson, the merchant bank, which was asked to carry out the audit found that £3m of new money was required to ensure the station's survival this year.

The bank declined to comment yesterday, but it is believed that its corporate finance team endorsed TV-am's figures on projected advertising revenues and cash flows.

Kleinwort Benson is financial adviser to Fleet Holdings, publishers of the Daily and Sunday Express

newspapers. It is the largest single shareholder in TV-am and last year came to the station's rescue with £2m, which gave it a 20 per cent stake.

The bank was asked, however, to carry out the audit on behalf of all shareholders and to report findings to the entire TV-am board.

On Friday of last week the board agreed to what must be the last refinancing of the station after unions agreed to cost-cutting measures estimated to be worth £1.5m a year.

The extent of the company's financial plight became clear this month when it was disclosed that last year TV-am took £8m in advertising revenue against an original estimate of £20m.

Cabin crew reject offer

A MEETING of about 700 British Airways cabin crew yesterday voted overwhelmingly to reject the airline's pay offer and to authorise their leaders to call a 24-hour strike.

The decision means that BA's 4,500 cabin staff join its 6,700 engineering and maintenance workers who have turned down the same two-year pay deal and have been holding disruptive action.

A third group of employees voted yesterday to accept the offer. Agreement to the deal, worth 4 per cent this year and 5 per cent in 1985, came from 4,800 ground services staff - including 2,000 ramp workers who staged a bitter strike in 1982.

There is no prospect of the 24-hour strike being called for at least the next few days. Officials of the Transport and General Workers' Union, to which the cabin crew belong, said it would take several days to contact all their members.

● THE GOVERNMENT should consider launching a television version of the BBC's external radio services, according to Mr Douglas Muggieridge, managing director of BBC External Broadcasting.

In a speech to be made in Los Angeles today, he suggests that the UK Government should urgently turn its attention to the international opportunities offered by new broadcasting technologies. The BBC had an estimated 100m regular listeners for its radio external services, but there was a question mark over how well radio could compete with the longer-term growth of satellite television.

● SCOTTISH miners are to vote next Monday on whether to go on indefinite strike to try to stop pit

closures and to support the national pay demand by the National Union of Mineworkers.

Miners nationally are already banning overtime in pursuit of a higher award than the 5.3 per cent offered by the National Coal Board.

● FIDUNION-FRANCE, the second largest independent French national accountancy firm, is joining the international operation of chartered accountants Pannell Kerr Forster, which is based in the UK.

Pannell Kerr Forster, which ranks 14th worldwide with fee income of over £110m, has national member firms in 11 European countries. Fidunion-France, which consists of nine regional firms in France, has fee income in excess of FF100m (£2.3m).

● BRITISH AEROSPACE is to buy a flight simulator for pilot training on its 146 airliner as part of a £10m order for simulators placed with Rediffusion Simulation of Crawley, Sussex.

A second simulator, the first to be built for the BAe 146, will be delivered to Pacific Southwest Airlines, San Diego, California, in November next year. PS A has ordered 20 of the aircraft and has options on a further 25.

The Rediffusion simulator in California will also be used to train crews of other airlines flying the BAe 146 in North and South America.

● HANSON TRUST raised its bid for London Brick by £25m to £247m, but Mr Jeremy Rowe, London Brick chairman, "unanimously rejected this further and final offer."

Lex, Page 20

Smokers are being unfairly taxed.

Unfair tax on cigarettes takes away freedom of choice.

Even though they might not be smokers, ordinary people want to be free to decide about smoking for themselves.

The taxes on cigarettes are unfair compared with most other products. Excessive tax means that smoking is being put out of the reach of many people, and the decision is no longer theirs.

A recent poll* conducted by NOP Market

Research showed that 9 out of 10 people felt that smoking was a matter for personal choice.

The tax burden falls upon everyone, but the smoker is paying more than his fair share.

Even 43% of non-smokers agree that the tax on cigarettes is already too high.

For people who want to decide for themselves, the time has come to say, 'Enough is Enough.'

ENOUGH IS ENOUGH

*NOP Market Research Ltd., July/Nov. 1983

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FINANCIAL TIMES

UK NEWS

Saab ends UK losses with profit of £2.4m

By Kenneth Gooding, Motor Industry Correspondent

SAAB (GB), the subsidiary of Saab-Scania of Sweden responsible for importing cars into the UK, returned to profitability last year. As a result, it is to pay its first dividend since 1975.

Saab (GB) made a pre-tax profit of £2.4m for 1983, compared with a loss of £332,000 in the previous year and a loss of £416,000 for 1981.

A dividend of £500,000 will be paid to the parent, the same as its last dividend.

The company's 1983 turnover was £62.8m compared with £57.25m the previous year.

Mr John Smerdon, managing director of Saab (GB), said yesterday that the satisfactory results had been achieved because Saab had not been forced to join in the "disorderly marketing" in the UK last year. Demand for Saab cars worldwide had outstripped supply.

Saab (GB) at the beginning of last year forecast car sales totalling 10,250 for 1983 but achieved 9,480. "We were under no pressure from the factory to meet our original objective because Saab could sell all the cars it could make," the company said.

In 1984 Saab expects to sell 10,500 cars in Britain.

Peace camp influencing Thatcher, claims Benn

BY OUR POLITICAL STAFF

MR TONY BENN, the left-wing former Labour minister who is seeking to return to parliament, yesterday welcomed the visit to Moscow by Mrs Margaret Thatcher, the Prime Minister, for the funeral of Mr Yuri Andropov.

"For four or five years, the cold war propaganda has poured out of Downing Street and the White House and now it is changing," he said. "The campaign for peace which the British Labour movement has been engaged in has now created a mood of public opinion which Mrs Thatcher cannot disregard."

Mr Benn, who lost his parliamentary seat at last year's general election, was starting his campaign to win a by-election at Chesterfield, Derbyshire, on March 1.

He said that the women who have made a "peace camp" outside Greenham Common air base in Berkshire, where cruise missiles are stationed, could claim much of the credit for Mrs Thatcher's decision to go to Moscow. "They have been a real testament to peace," he said.

Dr David Owen, the leader of the Social Democrat Party, speaking in support of Mr Max Payne, the SDP/

Liberal Alliance candidate, said Mr Benn was the architect of the policies on which Labour had lost disastrously at the general election.

Mr Leon Brittan, the Home Secretary, opening the Conservative campaign, said that Mr Nicholas Bourne, the party's candidate, was the only real alternative to extremist policies.

Labour held the seat at the general election with a majority of 7,800 over the Conservatives. The by-election is caused by the resignation of Mr Eric Varley, a former Labour cabinet minister.

Labour's deputy leader adjusts the economic focus Hattersley stakes his claim

BY PETER RIDDELL, POLITICAL EDITOR

MR ROY HATTERSLEY, deputy leader of the Labour Party, will this week emerge from his winter hibernation.

Since the Labour leadership election four months ago - which he lost to Mr Neil Kinnock - Mr Hattersley has deliberately tried to keep out of the public eye. Such political reticence has been largely to allow Mr Kinnock to establish himself as the party's leader.

But later this morning Mr Hattersley will give the first of four speeches that will stake out his position as the Shadow Chancellor of the Exchequer and, in the process, mark a shift in the emphasis of Labour's economic policy.

A radical departure from Labour's programme of last June should not be expected. That is partly because Mr Hattersley thinks that the basic strategy was correct.

The shift will be more in terms of presentation and priorities.

Unlike Peter Shore, his predecessor as Shadow Chancellor, Mr Hattersley will not be producing a detailed alternative budget, worked out with precise figures and tested on the Treasury's forecasting model of the economy.

Circumstances have changed and such exercises have little point several years ahead of the next general election.

More significant, however, is the Hattersley belief that precise figures give ammunition to the Government, enabling ministers to distract attention from Labour's attacks on their own policies.

Consequently, although in one of his speeches he will urge a managed depreciation of sterling against the main European continental currencies, he will not specify, or even imply, any numbers.

Moreover, as Mr Kinnock conceded in a recent television interview, Labour suffered at the last general election because the public did not believe the party's targets were achievable.

Instead of a more detailed macro-economic plan, Mr Hattersley will concentrate on a few themes, contrasting the Tory record with Labour's approach.

He believes the time is past when Labour can merely claim that it is better at managing the economy - more efficient and more compassionate than the Tories. The polarisation of politics has meant the presence of a greater ideological content, which Mr Hattersley welcomes.

To update Edith Cavell, Keynesianism and demand management are not enough. And in that sense Roy Hattersley agrees with the Conservative emphasis on the supply side and on the need for structural changes in the British economy.

He talks of attacking vested interests and increasing competition in the City of London and in industry. His references to the need to shake Britain out of its complacency are, perhaps, reminiscent of the Harold Wilson 1963-64 vintage.

However, Roy Hattersley can point out that one of his last acts as Prices Secretary in 1978 was to launch a radical review of competition policy.

He will also be talking more about redistribution and the problems of low pay. The Labour attack on the public expenditure White Paper (policy document) to be published on Thursday will, for example, focus on the impact of the Government's measures on the poor.

All that leads naturally into the delicate area of incomes policy, and Mr Hattersley has never been reluctant to use that term. He believes that it is impossible to discuss redistribution of income, a minimum wage and tackling primary poverty without looking at a policy for pay - along with prices, profits and so on.

He is likely to reject the view of some Labour economists that an incomes policy in the private sector is unnecessary because of the existence of 3m unemployed. Mr Hattersley believes you cannot just have a policy for pay in the public sector; it must cover the whole economy as part of a broader redistribution programme.

However, attempts to put substance behind those aims in the proposed national economic assessment are likely to take time. Talks with the trade unions will be a very slow process of discussion over the next year or so.

Indeed, Labour has only just started to get down to reviewing its programme - "modernising" it is the present vogue term.

To bridge the previous gap between Westminster and the party's national executive committee and its bureaucracy, a number of joint groups have been set up, including ones on employment, industry and economic matters.

Mr Hattersley will make available to them work he has commissioned from an informal group of outside advisers who meet in his room at Westminster on most Mondays.

That "brains trust" - a Rooseveltian comparison which would not displease Mr Hattersley - consists of three bankers and brokers from the City of London and five academics (four of whom are professors), all of whom prefer to be anonymous.

Scottish 'reefs' find buyer at £4,700

AN EGYPTIAN-BORN businessman said to have a passion for buying relics of British history, yesterday paid £4,700 for two tiny islands off the west coast of Scotland.

Potential buyers at an auction in London were told that the islands were not picturesque. They are just rocks and one of them is probably smaller than this auction room," Mr John Barnet, the auctioneer said.

The buyer, 27-year-old Mr Orny Nathan, whose father is a Presby-

terian minister in Egypt, said he would have bid up to £100,000. Last year he paid £8,900 for a disused Welsh lead mine and he is negotiating to buy Hadlow Castle, Kent, for £120,000.

The islands, Mas Sgeir and Sgeir Mhinig, off the west coast of Lewis, are both uninhabited and are considered little more than reefs by local people.

A Lewis resident said yesterday: "They are both useless bits of rock.

I'm surprised that anyone would want to buy them. Sgeir Mhinig is under water most of the time with the Atlantic swells coming through the channel. You'd need a wet suit just to stand on it.

"The other is just a pinnacle of rock with not a blade of grass. It would be difficult even to climb on to it."

Inquiries about the islands had come from West Germany and New Zealand.

TAX FACTS

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Help the Aged gets things done for old people. Thanks to volunteers it achieves a great deal with every £ you give. Send for two useful booklets on Wills and C.T.T.

Help the Aged has prepared two helpful booklets on this subject. One on all the aspects you need to consider before instructing your solicitor, and the other on how to reduce the effect of Capital Transfer Tax, by making a bequest to charity.

Write for copies of the booklets (and, if it interests you, for details of a unique house bequest plan). They will gladly be sent without obligation. Please write to: Hon. Treasurer, The Rt. Hon. Lord Mavbray-King, Help the Aged, Room FT001, Freepost, London EC1B 1BD.

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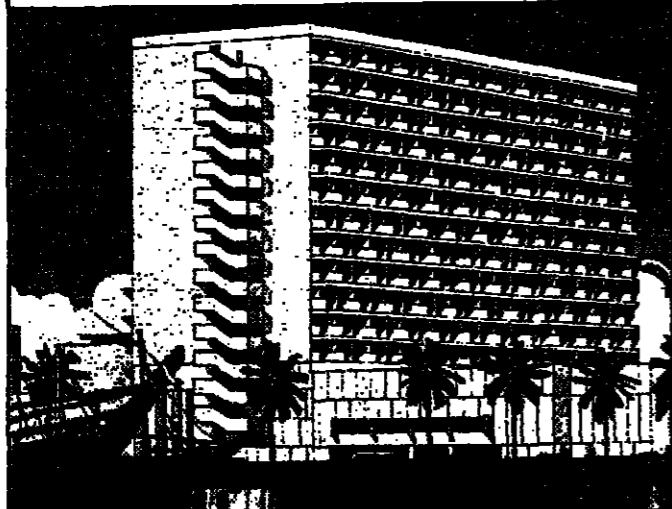
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UK NEWS

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Price rise 'inevitable' for paper products

By Andrew Fisher

PRICE RISES for paper products are inevitable in the coming months because cost pressures are continuing to increase, according to the European paper industry federations.

The British Paper and Board Industry Federation said rising costs of wood pulp - accentuated in the UK by the strength of the dollar, in which pulp prices are denominated - together with higher energy, transport and other expenses, added up to sums which "no mill can swallow."

The federation said that demand was rising as economic growth began to accelerate. Evidence that supplies were becoming tighter was greater than at any time in the past 10 years.

Because of these factors, this year was expected to be reasonably good for papermakers. Last year, UK paper and board output was only slightly higher at 3.21m tonnes.

There was, however, a real gain of 5 per cent after adjusting for fewer working days compared with 1982 and capacity changes.

The federation said profitability was still far from adequate. In recent years, poor demand during the recession had prevented mills from passing higher costs on to their customers.

Now, it believed, prices were likely to be affected by the irresistible force of accumulated cost increases which could no longer be absorbed.

The Federation of West German Paper Manufacturers referred to the pressure on profitability caused by cost increases for raw materials and energy. Last year it had seen only modest rises in the selling prices for paper.

The federation added the West German paper companies were experiencing higher orders and capacity had been almost fully utilised since last October.

The West German paper industry boosted its exports last year by about 15 per cent to 2.4m tonnes. This was about 30 per cent of the total record output in 1983 of 8.2m tonnes. The previous year, total tonnage was 7.8m.

Andrew Taylor reports on complaints that government guidelines have not helped UK office equipment suppliers to win public contracts

British-first policy falters

PUBLIC-sector purchasing policies to assist the development of British industry are not working, in spite of the good intentions of ministers and civil servants. That is the conclusion of some of the UK's leading suppliers of high-technology office equipment.

Examples of where public contracts have been lost to overseas competition or where prices have been struck too low to support research and development have been passed to Mr Kenneth Baker, Minister for Information Technology.

The cases have been prepared by a working party for the office equipment sector at the National Economic Development Council. Companies represented on the committee include Logica, STC Business Systems, Rank Xerox, Gestetner and Imtec.

All the examples have occurred since government guidelines were issued three years ago advising public-sector purchasers that obtaining the lowest price need not be paramount. They could accept higher prices or increased technological risk if that meant preserving the long-term viability of suppliers.

The guidelines were worded not to fall foul of international competition agreements. But businessmen were left in no doubt that civil servants were being asked to consider the long-term benefits of preserving British-based suppliers when placing contracts.

Mr Gerald Frankel, chairman of Imtec, says: "Public-sector purchasers were being asked whether it might eventually be more cost-effective to sustain a British manufacturing presence in key markets, rather than take the soft option of simply buying the cheapest-priced product on the day."

"It is a difficult message to get through to the lower levels where purchasing decisions are made. Too many civil servants, constrained by tight budgets, are still worried about what their superiors might say if they opt for a higher-priced product or choose a firm without a proven track record."

Individual cases and complaints passed to Mr Baker, by office equipment suppliers include:

● A British manufacturer lost an order to a Japanese company whose price was 2 per cent lower. The Japanese company failed to deliver on time. The British company was asked to provide its products as an

1982 ESTIMATES FOR OFFICE EQUIPMENT MARKET					
	UK output £m	UK market £m	Export % output	Import % market	Market growth % pa
Microcomputers* and small business systems	30	100	30	90	40
Micrographics	20	70	40	80	9
Multitext Equipment	40	40	57	107	2
Electronic typewriters and word processing	15	150	15	80	20
Copying	450	370	60	50	20
Fax	3	25	—	80	10
Reprographics	50	40	40	50	2
Other	50	100	40	70	5
Total	658	885	50	60	17

* Sales into offices - with all other applications the market is of the order of £200m
† Finished equipment only - parts exclusively imported and exported
‡ Includes nominal allowances for ex-factory value of rented machines. Consumables excluded.
Source: National Economic Development Office

interim measure but still lost the order.

● A government department wanted to word a contract in such a way as to ensure that the order was won by a British company. The purchasing agency refused on the basis that that would break international competition agreements, even though it is a common practice in other countries.

● A British-based multinational complained that cut-price competition from foreign companies had forced public-sector prices below the level at which it could support further research and development.

● Another British company complained that by the time it discovered the existence of a public-sector contract, the order was virtually placed with a foreign competitor. The British company eventually got the work, but only after it asked the Industry Department to intervene.

A report by the NEDC working party, after interviews with three of the largest government spending agencies - the Ministry of Defence, the Stationery Office and the Central Computer and Telecommunications Agency - says civil servants find it difficult to assess how far they should go in interpreting the guidelines.

Officials complain that they are given no indication of how much extra cost might be acceptable, or what degree of additional risk they should be prepared to take in protecting suppliers.

Small businesses are particularly concerned that they are being ex-

cluded from important public-sector contracts because they have no proven financial record.

Another complaint is that many public-sector buyers are not prepared to offer composite contracts covering the purchase of hardware and back-up consumables such as specially coated papers, inks and toners.

"The sale of consumables is critical to many companies as this is where they make their money," Mr Frankel says. "In fact, equipment prices are often lower because manufacturers are anticipating follow-up sales of consumables."

The Stationery Office told us that it saw the purchase of consumables as a wholly separate action and that it was unclear of the legal implications of making a common link between equipment and consumable purchases.

The need for regular and close contact between purchasers and suppliers is emphasised in the Government's guidelines. Those say that suppliers should be kept fully informed of requirements and purchasers should be aware that the products they buy should also be capable of being sold on world markets.

The National Economic Development Office says the Department of Industry's "office of the future" scheme is one area where the public-sector purchasing initiative has been implemented.

Under the scheme, the department approached a number of suppliers offering integrated office equipment schemes. They were

asked what products, in packages of £250,000, they would like to sell to government agencies with a view to using the contracts as a shop window for domestic and international markets.

The department has arranged orders worth £5.25m for 21 companies. The machines are sold at cost price and the department initially funds the deal. It gets a fee from the purchaser after two years if the arrangements have proved satisfactory.

According to the working party, the sector accounts for about a quarter of all output by the fast growing information technology industries.

"It is in the office equipment area, as distinct from the computer and telecommunications sectors, that the UK is in the weakest position," the working party says. "It is therefore vital that we take advantage of such a major customer as the public sector to use as a springboard to develop the right product, marketing, service and distribution skills."



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FINANCIAL TIMES SURVEY

Tuesday February 14, 1984

Foreign Exchange and Money Broking

The volatile currency markets of recent years have provided a fertile growth area for foreign exchange dealers and money brokers. Britain has a strong presence, with the big houses leading the way in product diversification



Trading in currency futures has proved a popular facility. It was pioneered by Chicago Mercantile Exchange (above) the world's largest market for such options

Big business but competition keen

BY DAVID LASCELLES, Banking Correspondent

A GOOD market for a broker is one that moves—whether up or down does not matter so long as there is plenty of action, buyers and sellers to be matched, deals to be struck. So the bucking and jangling of the world's currency markets over the past few years has proved a perfect breeding ground for that one obscure but now key player of the financial scene, the money and foreign exchange broker. Led by the two giants of the business, Exco (through its broking subsidiary Astley and Pearce) and Mercantile House (Marshall's), Exco headquartered a few yards from each other in London, the broking business worldwide has been booming. Profits have been rising by leaps and bounds, offices mushrooming in all the leading financial centres. Up to half the global foreign exchange market—which is reckoned in thousands of billions of dollars—is now estimated to go through brokers. Money brokers—a slightly

different business based on domestic and Euromarkets for bank deposits—tends to vary country by country. On average it probably matches the pattern of foreign exchange, with half the trading volume going directly from bank to bank and the rest through brokers. But if broking has been one of the great success stories at a time when the international financial market place has brought plenty of anguish as well, the good times cannot last for ever. Competition is now intense, margins have been cut to the bone and there have been regulatory problems in countries like the U.S. All this suggests that broking may be facing a mettle-testing shake-out during which smaller firms could vanish, either through merger or demise. Why have money brokers at all? Farly because all markets have brokers—agents who use their expertise to bring principals together and to take a cut on the deal. Even the world's largest banks have nothing like the

intelligence networks built up by the biggest money brokers; thousands of contacts all over the world, dozens of offices, highly sophisticated and costly communications systems. At the height of trading a large firm like Astley and Pearce has 20 telephone lines permanently open between London and New York. Brokers have also added depth and volume to markets—factors which produce better pricing and can be reassuring to smaller market players who might suspect that big banks try to fix prices in their own interest. Mr Howard Atkins, area treasury executive for America's Chase Manhattan in London, where the bank has just opened a state-of-the-art foreign exchange trading room, says: "Brokers are necessary because they enhance the liquidity of the foreign exchange markets." But that is not to say that brokers are necessarily popular or that their rapid growth has been welcome in the markets. Bankers, who now see their foreign exchange trading operations as profits centres rather than just a corporate service, constantly complain about the commissions they have to pay the brokers. They also accept the brokers only grudgingly—as intruders who skim off profits without exposing themselves to real risks. Dependent as

they are on brokers for business, however, they are reluctant to put such opinions on record. The brokers of course reject any suggestion that their profits are exorbitant. Mr Bill Matthews, who runs Exco's broking side, says: "Margins are very tight. It is difficult to offer a worldwide service these days." Brokerage commissions, as in the securities business, are steadily being unfixed. They are now set competitively in New York and should be free in the UK in 1988. (They are currently negotiated between banks and brokers under the auspices of the Bank of England.)

Under pressure But this is unlikely to make much difference. The present UK rate of 55 per cent is already discounted by as much as 75 per cent for top foreign exchange clients. Because foreign exchange is such a big international market, commission rates that get out of line in one centre quickly come under pressure. UK dominance of the business—half the ten leading brokers are British—stems from London's early pre-eminence in the world foreign exchange markets and the abundance of trading talent—the "barrow boy" skills. The big firms are also run by men with

a clear idea of where they want to go: Mr John Gunn at Exco and Mr John Barkshire of Mercantile House. The British now dominate Wall Street's money and foreign exchange broking business, a rare penetration of that bastion. Numerous smaller firms from other countries make up the rest of the industry, notably Americans, Germans and Japanese, though they are better known for specialising in particular currencies or market niches. Size and reach are the name of the game. After London, New York, Frankfurt and Zurich, brokers are expanding into Tokyo, Amsterdam and South Africa, three countries where financial liberalisation holds the promise of rapid growth. In Japan foreign brokers are switching from branch operations to joint ventures with Japanese firms because it gives a better entry. Exco's Astley and Pearce joined Nippon Discount to form Nittan A.P. on a 55-45 per cent basis. Tullet and Gillet joined up with Tokyo Forex in Tullet and Tokyo Forex International. Mr Matthews describes the Exco venture as "extremely successful."

The Japanese banks' rapid expansion into international markets has already put them among the world's largest currency traders and much of broking's future growth will clearly come from that direction. But broking is a maturing business. M Anthony Munns, an analyst at de Zoete and Bevan, the London stockbroking firm who follows broking stocks, estimates that annual growth in profits has fallen from 20-30 per cent to 5-10 per cent. "It's become a cut-throat business," he says. Tougher competition is not the whole story, though. The markets have also lost some of their volatility in recent months, precisely the ingredient brokers like best. Although the U.S. budget deficit still poses a threat to market stability, U.S. interest rates have been remarkably stable since early 1983 (the Federal Reserve, which used to move its discount rate every few months, has not changed it for over a year) and this has had a calming effect. The world's big banks have also been more cautious in the wake of the LDC debt crisis. They are lending less, so their need for brokered deposits has fallen. The U.S. end of the business has also been tainted by the revelations that many financially ailing banks were kept going by money brokers who assembled large deposits for them. The Federal Deposit Insurance Corporation wants to limit the amount of brokered deposits that qualify for insurance but this has provoked a furious reaction from the brokers and a slightly milder one from the U.S. Treasury, which fears such a move would affect the money markets. One response by the industry has been to diversify away from broking. Most leading UK firms now derive well under half—under a third in some cases—of their profits from this quarter and the trend will continue. Another is to go hell for leather for market share. With high fixed costs, volume is all important, which is why the industry could become more concerned as the big firms drive out or gobble up the small. Nearly three-quarters of a broker's costs are salaries and communications, so technological advance could also have a big impact. "We're becoming institutionalised," said Mr Matthews of Exco—which is both a good and a bad thing. Brokers are now an accepted part of the market. But it also means that profits and growth will take that much more effort.

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FOREIGN EXCHANGE II

Philip Stephens discusses the likely impact on world currency markets if, as many predict, the dollar weakens

All eyes fixed on the dollar

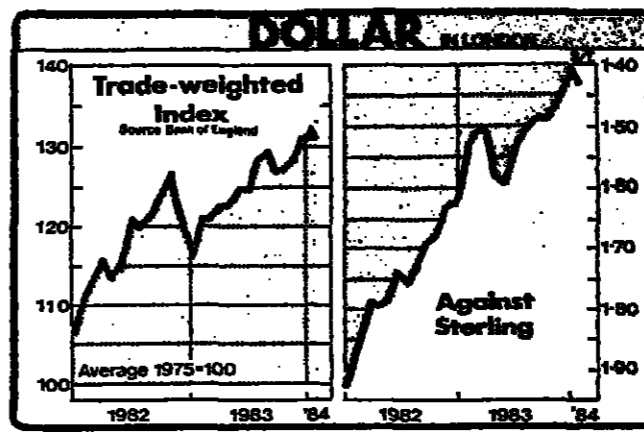
DESPITE GETTING it wrong so often before, virtually all the forecasters are now convinced that 1984 will be the year when the U.S. dollar's surge finally runs out of steam.

European governments are already planning for the upheaval in foreign exchange markets that could result, with a sustained fall by the U.S. currency likely to spark a string of bilateral adjustments among other currencies.

Whatever the outcome, what does seem certain is that 1984 will be another volatile year for currency markets and hence offer good prospects for foreign exchange brokers.

Swings of three pence or more in the dollar-D-mark exchange rate over a day have become almost routine and the experience of the opening weeks of this year does nothing to suggest that the trend will not continue.

In private consultations between central banks and finance ministries officials have been talking about a 10 to 15 per cent drop in the dollar's value over the next six months or so.



On balance, Phillips & Drew say, the dollar exchange rate is likely to bear the brunt of the adjustment, moving down to a level where it once again becomes attractive for the investor to put his cash in dollars.

Other forecasters have also pointed to a deterioration of the "quality" of capital flows into the U.S., with short-term bank deposits, or "hot money," taking a growing share of the total.

The implication is that any turnaround in the dollar could be swift and brutal, as a fall in confidence sparks a massive flight of such capital.

Of course, both governments and independent forecasters are acutely aware that the foreign exchange markets have turned past predictions of the dollar's demise into nothing more than wishful thinking.

It could happen again. Mr Paul Volcker, the Federal Reserve Board chairman, seems determined to keep a tight grip on growth in the U.S. money supply, keeping interest rates high as long as the economy remains buoyant.

Moreover, while a strong

Democratic contender for the Presidency could send jitters into the markets, any signals suggesting that President Reagan will stay in the White House after November may give an added boost to the currency.

Senior U.S. officials have also spoken about the damaging inflationary consequences for the American economy if the dollar falls too sharply, suggesting they might move quickly to halt such a slide.

If the forecasters are right, however, the implications of a downward move for the U.S. currency go far beyond changes in the bilateral parities of individual currencies and the dollar.

The dollar's losses earlier this month gave a foretaste of what might be expected for other currencies if it suffers a sustained fall.

Most of the benefit was reaped by the D-mark, which gained some 6 pence within two days. More importantly, the West German currency recorded gains against virtually every other currency on the back of the dollar's fall.

Thus West Germany might expect a significant realignment of its exchange rate against such currencies as sterling, the French franc, the Swiss franc and, possibly, the yen if investors begin to prefer D-marks to dollars.

the first time in nearly a year. The obvious candidate for a devaluation in such circumstances would be the French franc, with other relatively weak currencies like the Belgian franc possibly following in its wake—although the strong recent improvement in France's trade balance could delay a reshuffle or limit the extent of changes.

For Britain some strengthening of sterling against the dollar, coinciding with a relative weakening of the pound against Continental currencies would probably be the best outcome from the authorities' point of view.

The British Government insists that it has no exchange rate target for sterling but it does keep a close eye on its trade-weighted index against a basket of major currencies.

An upward shift against the dollar, combined with losses against the D-mark and other currencies would keep this index constant at around 83 or 83 (1975=100). This would limit the inflationary impact of the depreciation, while improving British industry's ability to compete in Europe.

A rapid and excessive fall in the value of the dollar is likely, however, to prompt some form of concerted action by European central banks to slow the move, perhaps in the shape of a modest round of interest rate cuts.

And if the U.S. currency stays where it is?

One of the most interesting lessons of the past two years is how, despite the dire predictions of higher inflation and stranded investment, Europe has learnt to live with a strong dollar.

While an "overvalued" U.S. currency may hit Third World debtors, it also gives a considerable boost to world trade by pushing the U.S. trade deficit further into the red.

European governments have managed to temper the inflationary impact of the growing cost of dollar-priced imports by tightening anti-inflation policies at home, while gradually loosening the links between transatlantic interest rates.

That is likely to become harder as the recovery in Europe gathers pace but, as one European finance ministry official put it: "The dollar can't stay there forever."

Fears voiced

Fears have also been voiced about a possible uncontrolled slide if the overseas investors who have pushed the dollar to its dizzy heights lose faith in its future.

With the dollar trading at nearly 20 per cent above its average level in 1980-82, U.S. Treasury Secretary Donald Regan is again leading the chorus predicting a lower dollar as the U.S. trade deficit widens more.

The key to the dollar's expected fall, say the forecasters, will be a current account balance of payments deficit approaching \$100bn in 1984. Much of it will continue to be covered by large inflows of foreign capital, encouraged by high real interest rates and a buoyant economic recovery.

Japan alone is expected to invest something like \$15bn in dollar-denominated debt in 1984, while around \$30bn can be expected from the re-investment of international investment income.

Even inflows of that order will not be sufficient, however, to cover the current account gap, most economists believe.

London brokers Phillips and

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EMS strains

In that context another side-effect may well be new strains in the European Monetary System, with pressure on the weakest currencies forcing a realignment. The tendency reappeared in early February for

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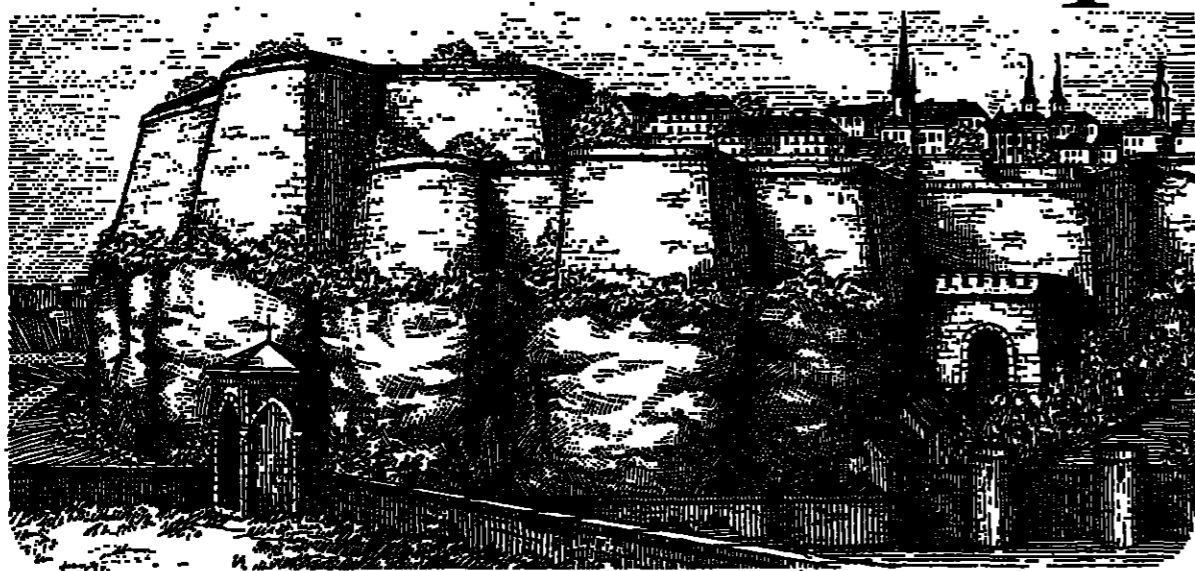
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Banks are major operators, involved in a growing range of products

Novel offerings bring fresh edge to competition

IT IS now more than ten years since the introduction of generalised floating opened the door to an unprecedented boom in foreign exchange trading as a major international banking activity.

Since then, wide fluctuations in exchange rates and the rapid advances of available technology have revolutionised the market. Foreign exchange dealing is a 24-hour-a-day business, with major centres in the Far East dealing through the European night and European traders staying up late to catch the market in New York.

The early days of floating saw many market upheavals, most notably the huge losses incurred by the German Bankhaus Herstatt through unauthorised dealing in the forward market in 1974. Now, not only has floating become accepted; banks have also learned to cope with the dangers of trading it brings, and the upsets are fewer and farther between.

None the less, the market has more recently been changing again. While international banks are the main players in foreign exchange, their business tends to be what Wall Street calls plain vanilla—conventional dealing of large volumes of currency in the spot and forward markets. In London single trades of up to £25m are not unheard of and clearly the very muscle of the world's biggest banks means that they are uniquely able to cope with business on this scale.

But as the world has adapted to floating exchange rates, other and more sophisticated products have come along. The development of currency futures trading in Chicago has had a profound effect on the market. At the very least it has boosted the importance of North America as a foreign exchange trading centre. More important still, the wide range of currency futures have added new opportunities for making profits and with them a new demand from investors for currency-related services.

In fact some of the most striking innovations in foreign currency markets have recently come not from the big banks but from the smaller investment banks using their ingenuity rather than their immediate financial muscle to offer tailor-made products to corporate treasury and other

investors.

For example, it was the U.S. investment house Salomon Brothers which last year launched a novel series of currency options. Starting with the sale of warrants to buy or sell sterling a year ahead, Salomon quickly moved on to launch a similar series of warrants to buy or sell D-marks.

treasurers a more attractive hedge against currency fluctuations than a straightforward forward transaction. The latter locks treasurer into a given rate. With a currency option he is protected against excessive movements but still does not forfeit the chance to make some money if a currency moves in his favour.

In these cost-conscious days there is no doubt that investment banks can use products such as currency options to wean corporate customers away from their traditional commercial banks. Equally, however, some corporate treasurers require a lot of educating and there is some in-built resistance to innovation at too fast a pace.

For example, the currency futures contracts launched with the London International Financial Futures Exchange (LIFFE) in autumn 1982 have never really taken off, although they were designed with the corporate treasurer in mind. Lack of interest was shown not only in this quarter; banks themselves found the size of the contracts too small and preferred to continue dealing in the forward exchange

market.

The short-dated sterling interest rate contract has already been doubled in size to attract more interest and it now seems possible that a similar step will have to be taken with the currency contracts too.

One problem facing the banks is that it is never easy to predict which product will be successful and which will not. Two years ago deposit-taking in the Special Drawing Rights (the currency basket of the International Monetary Fund) was all the rage. But the flow of deposits, which was initiated by Shell, the petroleum concern, soon fell to a trickle. Meanwhile, an active deposit market has now developed in another currency basket, ECUs, which are the monetary unit of the European Economic Community.

New dimension

None the less there is no doubt that these days commercial banks have to watch the competition more closely than before. This new dimension has been added to a market where success already stretches the reaction of participants to the limit in terms of their ability to react to breaking developments.

Technology has arrived in foreign exchange dealing rooms in a big way. All are now equipped with television screens relaying latest financial news headlines and money market rates. A dealer who cannot react within a split second to the latest U.S. trade or money supply figures is unlikely to make much money for his bank.

Likewise, communications are extremely important. Most banks keep telephone lines open all the time to their major trading partners. The new foreign exchange dealing room inaugurated last summer by Chase Manhattan Bank in London has screens that connect dealers to a counterparty at the lightest touch of a finger.

It is a far cry from the days when Reuters news agency used carrier pigeons to relay stock market prices from Brussels to Aachen. But in today's push-button world success has begun to depend more than ever on whether the people involved can actually keep up with the market.



This DIDS installation at Bank of America's London office is typical of the advanced communications technology essential in today's dealing rooms

Peter Montagnon

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FOREIGN EXCHANGE III

The UK broking houses dominate the world scene through their international networks

Giants head the broking league

IN THE truly international 24-hour day market of foreign exchange dealing there is one centre which stands a good head and shoulders above all others — London. The key players in that market are the broking houses whose busy dealing rooms handle around half the world's daily turnover in currencies.

The broking fraternity is surprisingly small given the market it serves. In London the participants can be counted on two hands and worldwide there are probably no more than half a dozen or so major brokers who really count. Among those it is British brokers who dominate the scene with a network of regional offices straddling continents. Nothing is more telling of the power of British brokers as the fact that it is they who set the scene for foreign exchange and money broking on Wall Street.

The rules of the "game" seem simple enough. In London the broker's job is to act between two principals, confirming the deal and taking a commission for his trouble. It is not the broker's place to take positions in currencies or to try to lead the market one way or another. That is what the text book would tell you but of course foreign exchange dealing is neither as simple nor as cold-blooded as the text books would have it.

The broking houses are led by two diversified giants, both publicly quoted groups. Exco International is represented in the foreign exchange market by its Astley & Pearce subsidiary while Mercantile House has Marshall's on the field of play. These two subsidiaries are the leaders in the sector, while their parents have ambitions to spread their wings even further

and become major financial institutions.

It is an open secret that Exco has been talking to several stock exchange members firms and other major financial institutions. Mercantile was also believed to have been talking to Gerrard and National, one of the six band of discount houses, with a view to a takeover of Gerrard. Those discussions were terminated without Gerrard ever naming the other party.

Everyone has his own ideas about constructing a league table of the broking players and Tullett and Tokyo Forex, formerly Tullett and Riley, believes it lines up in third position. Certainly it is undisputedly one of the world leaders but unlike Exco and Mercantile the men at Tullett and Tokyo have no ambition to launch themselves as a quoted company on the stock exchange — not yet anyway.

Cash-generating

Mr Peter Doney, managing director at T and T, sees little point in raising money on the stock exchange for a company which is heavily cash-generating. There is of course the question of personal wealth—no doubt the existing shareholders could raise a substantial cheque for a few shares—but that does not seem to be in the equation at present.

The story of Tullett and Tokyo illustrates the changing pattern of the foreign exchange broking sector. The firm was set up by four men in 1971 and has come from nowhere to its current position with a staff of over a 1,000 in more than a dozen years. When these four started out as an independent broking sector, both in foreign exchange and money, was less dominated by

large houses, with many of the broking groups holding down a relatively small number of staff compared to today's standards, increasingly competitive.

The birth of T and T was just in time. Along the way the directors were able to absorb some small companies and form the group they have today. Yet such has been the polarisation of the sector it would be virtually impossible for several reasons for someone to repeat that feat now.

The foreign exchange market has become increasingly sophisticated and, perhaps more important, increasingly competitive. The capital investment in setting up a major house is no small matter and the costs of running a realistically sized operation certainly do not come cheap in this industry.

So it would need a major financial institution with plenty of muscle to enter the market cold. Yet it is questionable whether anyone would want to try. Undoubtedly the brokers have made a very good living—perhaps too good for some of their critics—and their role is essential. They are the providers of up-to-the-second information on a rapidly changing international market with a degree of knowledge that even the large banks in the market find difficult to match.

Not less important are personal contracts — foreign exchange broking is no different from any other broking activity. "Who you know" can be just as important as "what you know." Staff do not come cheap in this industry.

However, while their continuing role looks certain increasing competition for business has pulled back margins and slowed down profits growth. The brokers would argue that their basic commissions are justified at current levels but that does not stop them offering major discounts to banking customers who put a lot of business their way.

That competitive pressure allied to the increasing dominance of the major houses is putting a squeeze on some of the smaller broking firms. The latter's problem can only intensify as some of the bigger brokers try to get closer to their banking customers by capitalising further on their information base and excellent communications network.

Exco has its interest in Telerate and more recently Tullett and Tokyo has dipped into the area of information technology. Unlike Exco, T and T is keeping its capital expenditure strictly limited, though it believes its system is a winner albeit not directly comparable to news services such as Reuters and Telerate.

Chicago software

Essentially T and T's service, Futrend, has been developed on the back of software written in Chicago for the financial futures market. The hardware of screen and computer keyboard, with an optional printer, comes from Hewlett-Packard. The system gives up-to-the-minute display of currency rates, both spot and forward, Eurodollar rates, prices from Liffe, IMM and so on. Apart from the prices and rates which can be flashed up on the screen in much the same way as other services, Futrend has the ability to quadrant four "pages" on the screen at the same time. Perhaps most novel of all is

that the computer is not just providing up to date information but has a memory bank on all the information going back to January 1981. Using that the computer can turn out bar charts, price charts, tic charts, moving average charts, point and figure charts—in fact it can draw a chart of everything in its memory. Up to seven charts in different colours can be overlaid for comparisons. If nothing else they certainly look pretty.

The charting ability is a strong selling point according to the brokers. While many market dealers would have regarded chartism a decade ago the scene has changed dramatically. Charts are being used increasingly as an investment tool and of course it becomes self-feeding in that a dealer may act on a chart, whether or not he is a chartist, simply because he thinks ardent chart watchers will be acting on the movement of the same chart.

So far around 50 Futrend systems have been installed with banking customers in London. The brokers recognise the disadvantage for users in that there is only one source of information input, T and T, coming on the screen unlike, say, Telerate. But that is recognised in the competitive pricing and anyway, says Peter Doney as a leading broker, the information on the screen will be right in line with the market.

Ultimately T & T would like to see the day when banking clients can deal directly on the screen, much as they do in the U.S. Treasury bond market. Moreover, they would be dealing with T & T, which is one good reason for the system's development in a highly competitive market.

Terry Garrett

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Voice response is the latest computer facility

Information systems play an integral role

ANDREA SANTEN works for the UK software house Logica and talks to computers—to one particular computer in fact—which she has trained to recognise 30 to 40 words of foreign exchange dealers' jargon.

When she murmurs "monitor" into the microphone the Reuters monitor flashes on the video display screen. Give me page 25" produces the required set of prices.

The voice response system—as yet only a demonstration—is the latest addition to Logica's foreign exchange dealer information system, DIDS (Dealer Information Display System). Installed at Morgan Guaranty Trust in London and New York, it broadcasts the latest rate changes directly and simultaneously to all the dealer stations. The system runs on a powerful minicomputer built by the U.S. company Data General but it is unusual in using coaxial cable to take a composite video signal to the dealer terminal.

"We arranged it this way to be compatible with Reuters," explained Mr Ken Robey, business manager in Logica's advanced systems division. "The aim is to cut down the number of screens on the dealer's desk." Some banks have up to three screens on each dealer's desk switchable between Reuters, Dow Jones and their internal rates.

Morgan Guaranty is a wholesale dealing house, a rate-maker. So internal rates information is the stuff of life to the 40 or so dealers in the London office.

Stuff of life

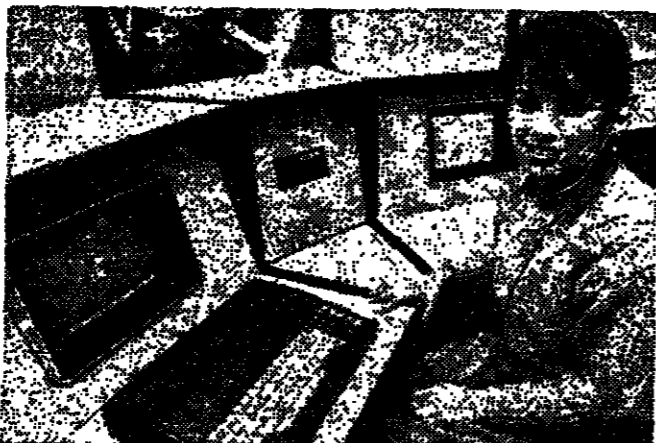
DIDS represents one half of the technology product now available to the foreign exchange dealer; the half providing information to the dealer.

DIDS has also been installed at Bank of America in London, where it has been developed to envelop the other half of the forex situation — back office accounting. DIDS II, as it is known, is designed so that dealers can key their own deals directly into the system, although bankers are aware that this is frequently an unpopular option.

"There has always been a tradition in the dealing room that dealers will not key in their own deals," Mr Robey sighed, resigning himself to the continued use of paper dealing slips.

Computer-based foreign exchange systems have in the past been very much the preserve of the UK software houses. This was as much thanks to London's position at the centre of the foreign exchange world as to the un-doubted quality of software from houses such as Arbat (now a subsidiary of Control Data Corporation) BIS and Hoskyns, creators of the Arbat Banking System, Midas and Kapitli respectively.

The picture is changing in several ways. First, a number



Ms Andrea Santen, the lady at the Logica software house who chats to her computer

of companies such as the merchant banker Hill Samuel have entered the market with their own systems.

Secondly, there has been a ripple of interest from the U.S. software houses. Hogan, a well-regarded U.S. banking software house, has established itself in the UK, offering very large integrated banking packages running on IBM hardware.

Anacomp, an Indianapolis-based company, has generated a lot of publicity for its very ambitious banking package "Continuous Integrated System" without installing a single complete system. According to the U.S. securities company Prudential-Bache: "Anacomp is an interesting enigmatic company with much more hope than the UK, banking very large banks working with Anacomp believe that the company will have a powerful system—some day."

Anacomp's position is instructive, for it shows how easy it is to design an impressive banking software product yet run into difficulties in the writing and implementation.

Thirdly, there is a powerful move away from basic foreign exchange systems to systems which are integrated with the rest of the bank's accounting systems.

DIDS II at Bank of America, for example, has links extending directly from the Data general minicomputer to the bank's principal IBM mainframe computers.

Mr John Prosser, a director of BIS, sees a move towards greater provision of information both for dealers and for dealing room managers: "There is a need for greater management aid at the front end."

"That means better ways to gain access to the information and the ability to manipulate it in various ways. Within Midas, for example, we are now providing microcomputers on the dealers' desks so that they can massage the information from the system in various ways. An example is a module called "Bond Aid" in use at the

Bank of England which gives the trader a choice of options to take and allows him to work out other methods of achieving the result.

These moves are in fact a reflection of the trend towards dedicated workstations for treasurers and dealers throughout the financial system. First there was the simple need to carry out the calculation necessary for foreign exchange, coupled to the back office accounting function.

The next step was the provision of rate information to the dealer and the facility for the dealer to enter information directly to the system. The current stage gives the dealer the facility to manipulate the information on his screen and interconnect it with information stored in the bank's mainframe computer.

Moreover, all of this is coupled to a very direct pressure for greater global financial control, the kind of control provided by treasury management systems of the kind offered as proprietary packages by world-wide computer bureaux like Gelsco through its Mark III network or ADP.

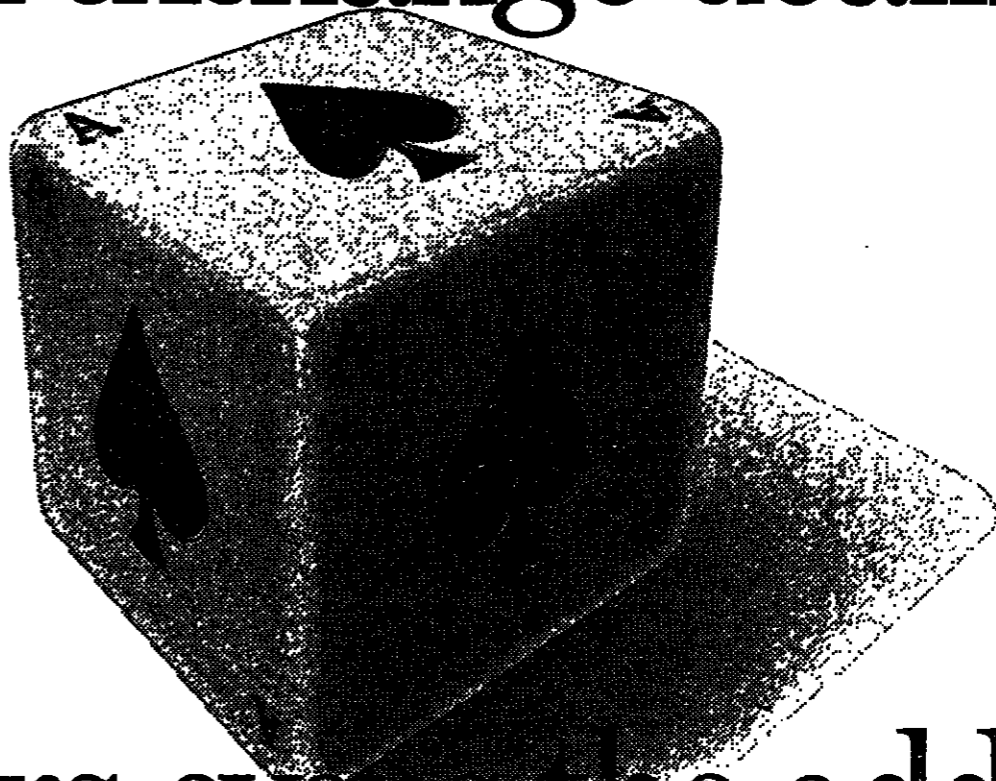
For the future there will certainly be new developments in high technology dealing rooms of the kind developed by Chase Manhattan and Citibank with touch-sensitive screens or desk top "mice" to free dealers from the threat of using the keyboard.

Mr Robey of Logica points out, too, there is no reason why bank accounting systems should not operate in multiple currencies even for local branches. It would mean the provision of direct rate information to branches which currently decide the price of a foreign currency by consulting that morning's Financial Times.

That, as Mr Robey says with a glimmer of satisfaction, will mean considerable rewriting of the local accounting computer software.

Alan Cane

Foreign exchange dealing.



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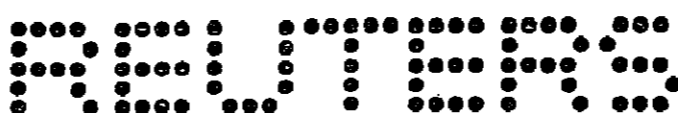
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FOREIGN EXCHANGE IV

London has its financial futures market—but is it keeping up with this fast moving game?

Wider range of contracts urged

THE LONDON International Financial Futures Exchange (LIFFE) has given the City a small but important foothold in one of the fastest growing financial sectors in the world today.

Many of the brokers involved in LIFFE are concerned, however, that the rapid worldwide growth of trading in financial futures and options is leaving London behind. The U.S. markets, in particular the Chicago Board of Trade and the Chicago Mercantile Exchange, have launched a steady stream of new products, while the Philadelphia Stock Exchange has developed a thriving foreign currency option market. The proposed Singapore financial futures exchange heralds a likely upsurge of this type of trading in the Far East.

Developments such as these are causing frustration to some of the participants in the London market who are concerned at LIFFE's deliberately cautious policy towards expansion.

Average daily volume of business on LIFFE has recently reached 7,400 contracts, more than many expected, but still a long way from true viability. Seven contracts, all of them launched in the early weeks of the exchange, are traded. They are the three-month Euro-dollar, three-month sterling, 20-year gilt and the sterling, Swiss franc, Deutschmark and yen currency contracts. Futures contracts allow market users either to hedge or speculate on interest rate and currency movements.

"LIFFE is reaching the point where it does require some new contracts," says Mr Peter Scott of Butler Harlow Financial Futures, part of Mills and Allen, the publicly-listed financial services group. "You may criticise the U.S. exchanges for being overdynamic but, by contrast, we are moving at a snail's pace. Chicago has not been slow to capitalise on European interests in futures. London has to realise it is in competition with Chicago."

"There have been no new products since LIFFE was established," comments Mr Chris Williams, managing director of the financial services division of Rudolf Wolf, the metals and commodity trading house. "Chicago launches five contracts and only one may be successful. You can have your failures. LIFFE should not be so nervous."

LIFFE is working on a number of new contracts, including a stock index based on the movements of the shares of 100 of the largest UK companies, a Eurobond, a short-term gilt and a U.S. Treasury bond contract. But its stated policy is to allow the existing seven contracts to bed down, to limit the amount of information potential users need to absorb and to avoid diluting interest in existing contracts.

Despite the problems LIFFE has faced in explaining the concept of financial futures to UK institutions and investors it has played an important part in awakening people throughout Europe to the possibilities, brokers believe.

"LIFFE has brought more awareness and improved the image of financial futures by the smooth way it operates," says Mr Williams. "Despite the coloured jackets worn by the floor traders it is more sober than Chicago."

Fixed attention

"There's no question that the opening of LIFFE has fixed enormous attention in Europe on financial futures," comments Mr David Pippard, jointly in charge of futures business at Butler Harlow.

Ironically, much of this interest has been directed to Chicago and other U.S. markets, meaning UK brokers must share their commissions with their U.S. counterparts.

"Chicago has capitalised on the benefits of LIFFE," says Mr Scott. "I am sure a lot of Chicago's business has come out of Europe."

The experience of Butler Harlow, Rudolf Wolf and Rouse Woodstock, the commodity and financial futures broker, illustrates how three broking houses have fared on LIFFE.

Butler Harlow, at the time two separate companies, was already placing clients' business on the Chicago futures markets before LIFFE opened in September 1982. Scott acknowledged that the move into the U.S. and the decision to join LIFFE were defensive moves intended to protect its cash business. LIFFE now accounts for 95 per cent of Butler Harlow's futures business.

LIFFE trading built up more slowly than Butler Harlow expected but the company now does a sizeable amount of business in the Eurodollar contract.

Increasingly, and to its own surprise, it is also trading more of the gilt contract.

"We thought there would be resistance to placing gilt business through anyone other than the normal stockbrokers," says Scott.

Butler Harlow has now established an informal relationship with stockbrokers Sheppard and Chase to give it access to its expertise and contacts in the areas of gilt and when LIFFE launches its own stock index contract, in the stock market.

This tentative link-up between a moneybroker and stockbroker is unique, Scott believes, but whether it is formalised depends on the two companies avoiding a clash of interests.

In common with a number of other LIFFE members Butler Harlow has cut back its financial futures staffing levels in line with the slower-than-expected market growth. It now has six traders on the LIFFE trading floor and a further six in the back office.

Its LIFFE business has risen 50 per cent in the past three months to around 300 contracts a day despite its failure to persuade insurance companies, local authorities and pension funds to trade in any volume.

Butler Harlow now intends to concentrate its efforts on the banks, which make up much of its traditional client base.

"LIFFE business is not profitable yet but we are closing the gap," says Pippard.

Rouse Woodstock has also been forced to cut back staff levels and now has five dealers on the LIFFE floor and four in head office. "We are covering our costs on LIFFE," says Mr Roy Leighton, deputy chairman.

Rouse Woodstock is part of the publicly quoted Mercantile House Holdings, another broadly based financial services group headed by Mr John Barkshire, chairman and moving spirit behind LIFFE.

Rouse Woodstock is a member of the two Chicago exchanges and says it still does substantially more business there than it does on LIFFE.

In London its existing foreign exchange and cash deposit market business means it is most active in the Eurodollar and three-month sterling contracts. Its clients include banks, hedging their lending commitments, discount houses and some local authorities.

It has made an effort to attract corporate customers but

while it can persuade treasurers of the value of futures it encounters resistance at board level, says Ms Stephanie Hanbury-Brown, who heads the financial futures operation.

Leighton describes Rouse Woodstock's move into financial futures as evolutionary. "You have to cover the whole spectrum. Our sugar trading business originally took us into foreign currencies because the foreign exchange risk formed part of the customer's hedging requirements," he says.

Rudolf Wolf, like Rouse Woodstock, was active in the Chicago financial markets because of its international commodity business. Nevertheless, it set up its own financial futures operation in March 1982 in anticipation of LIFFE's opening. U.S. futures and options business far outweighs LIFFE trading where, it says, 500 contracts would amount to a busy day for its eight floor traders.

The strong growth of U.S. business has been the main reason for Wolf's doubling its total financial futures staff to 30 (out of the 130 employed on commodities and financial instruments in London).

Williams foresees a doubling of futures and options turnover this year. If LIFFE launches its stock index contract London business could double or triple its share of total business.

"We would like LIFFE to do well," says Williams. "It would give us a longer dealing day and make use of our spare capacity in the mornings. We are slightly disappointed LIFFE has not done better but we are not surprised. We just about make a profit on LIFFE."

Booths unmanned

Opinions differ on whether the shake-out among LIFFE members is completed. Williams thinks that when managements look at their 1983 accounts—the first full year of LIFFE's operation—and realise the cost of this business quite a few more will decide to cut back, selling or leasing seats or retaining membership while keeping their floor booths unmanned.

Much will hinge on the new contracts LIFFE says it is preparing. A stock exchange index contract is generally seen as opening up a whole new area of business for LIFFE. But brokers do not agree on

some of the contracts being considered. Williams is unsure whether a LIFFE U.S. treasury bond contract would attract much interest when the market is U.S.-dominated anyway. Currency options on LIFFE would do well, however, he argues, meeting a need from European clients who do not want to wait until the U.S. markets open.

The least successful contracts so far have been the four based on currencies. The efficient inter-bank market in London has meant LIFFE's contracts have failed to find many users. They are too small (£25,000 equivalent), too unwieldy and too expensive, the criticism goes.

Again brokers' views differ. Some feel currency futures contracts have failed and should be replaced by currency options—which have been so successful in Philadelphia. Others argue that they can be saved by an increase in contract size to perhaps \$250,000 and the introduction of an "exchange for physical" facility—allowing a customer to close a futures hedge early and simultaneously take delivery of the foreign exchange covered by the hedge in one transaction through one broker.

Whatever LIFFE does to revive existing or add new contracts brokers are agreed that, for them at least, the sooner it happens the better.

Charles Batchelor



The trading floor at LIFFE is at times the scene of hectic dealings

Controversy surrounds the role of the broking houses

Tensions beneath the surface

MONEY-CHANGERS have been unloved since biblical times and their critics are not just those attacking speculators or proletarians who feel they pay too stiff a rate for pesetas to splash on the Costa Brava.

In the City itself there is an underlying tension between dealers and brokers for all the mutual protestations of a smooth relationship in a close-knit fraternity.

The brokers who act between principals for a commission, using their expertise in monitoring rates to judge the Balance between supply and demand, are essentially middlemen, and it is this role which comes in for criticism.

Yet, both sides agree that they are basically interdependent and the grumbling is put in perspective by Mr Bill Batt, international treasurer at National Westminster and also chairman of the British Bankers Association's foreign exchange committee: "For all their faults, the brokers help to make London by far the most efficient and important of the world's markets for foreign exchange."

Colleagues agree that no other service or centre can match the London broking house in delivering the goods—especially a running commentary on prices—but there are such mixed feelings that some will add that the firms have overreached themselves by becoming all things to all banks.

Lloyds International's chief foreign exchange manager, Mr Charles Frost, who sits on the National Joint Standing Committee, says that each view of brokers depends on the people involved, since relationships matter a lot: "It is a love-hate partnership like marriage!" Another treasurer quotes a case where a broking house was getting fewer deals from a bank than its skill in a certain currency merited but after both sides switched staff around the volume soared.

Sounded alarm

What concerns senior bankers is not personalities but power now that the money-broking sector has shrunk from a peak of 16 firms to 12—or rather nine taken as parent companies although the main content when the Bank of England revived the foreign exchange market in December 1981.

Barclays and National Westminster both sounded the alarm when Mercantile House rescued Fulton in March 1982, foreseeing that London could become dominated by two firms as in New York.

Even just six buttons to press is a fear at the back of some treasurers' minds but the banking sector is mainly content with the consolidation. A view at some banks is that London is still overbroke and one leading foreign exchange manager suspects that the Bank of England is ready to open up mergers to ensure a solid base.

It is acknowledged anyway that newcomers, such as Currency Brokers International in June last year, can enter the market but a prominent treasurer in a merchant bank thinks that the Bank of England asks too much: proof of need and financial sponsorship. "It is like Gate-22. And why should I back someone who wants to sell me something?"

The banks do not want cossetting of the currency markets by the Bank of England (still less by the well-meaning

International Chamber of Commerce), having relied since 1973 on the Joint Standing Committee of four bankers and four brokers, who have always been welcome at Threadneedle Street. The Bank of England also provides a chairman, now Mr Terry Smeeton, the manager of its foreign exchange division (who was the JSA's first clerk).

Few feuds reach the non-statutory JSA, whose minutes are circulated about eight times a year, for banks have ready access to the Foreign Exchange and Currency Deposit Brokers Association (FECDBA), whose chairman sits by right on the JSA. At present he is Mr Mike Knowles, a director of Mercantile House, who not only thinks that the fewer firms give a better service than ever but also points out that the FECDBA's code of conduct was inspired by the Bank of England.

Higher ethics

The dealing community is also unanimous that ethics in London are much higher than elsewhere. Yet a dealer of 20 years' experience says typically: "With 4,000 staff specialising in foreign exchange here, nobody could swear that the City was perfect!"

Foreign exchange managers are fully aware that brokers can buy business and at least the major banking houses police their own dealing rooms. Approval may be needed for lunch with a broker and there are often written rules against accepting anything beyond food and drink. Accounts are widely monitored for any unusual patterns in deals between bank staff and brokers.

The surveillance is sometimes superfluous. A newish sterling manager speaks for several in saying: "It may be nice to be constantly entertained, but essentially one wishes brokers would spare their costs and our time." Yet if there are only rumours of corruption, there is plenty of evidence that other standards have fallen—not least courtesy and responsibility.

Old-time bankers largely blame the market's rapid expansion since the seventies so that it is full of youngsters short on experience and education—like other things, heedless of worldwide events except for their digital impact. They equally complain that the huge chance of windfalls puts brokers under pressure from directors, who are themselves sensitive to shareholders in the big firms that have gone public. With it all goes the sheer pace, coupled with electronic innovation.

For example, with quotations shouted simultaneously through voice boxes rather than telephoned through bank by bank, there are constant complaints of being let down by brokers on the amount offered. The head of a large dealing room comments that 10 years ago it would have caused gossip and the bank would have pulled the broker's line out for a week but it now happens 20 times a day in one currency with impunity. However, an American offshoot echoes one of Britain's largest banks in maintaining that it will always stick the broking house for an agreed amount or else boycott it.

There are also more mistakes, like when a broker tells a dealer that the transaction is with another bank's branch whereas it is a subsidiary—with a lower credit rating. Even more

common are mishearings of numbers or even "Yours" for "Mine" amid the frantic babble of what remains a verbal market that is not even face to face.

With the average deal touching £5m, blunders are too expensive for the banks—which is why broking houses record calls. Where the tapes fail to resolve blame, the norm is a bilateral split down the middle or informal arbitration. Mr Brian Ladd, a senior manager at Williams & Glyn's, recently adjudged a mix-up involving Belgium's two rates of exchange.

Of course there are also errors in the interbank market, which has not been quite as successful as hoped, so that there is no alternative to working with the brokers to improve standards. Nobody thinks a central exchange would work and most chief dealers say the answer is better training and discipline on the broking side, although a visual display inexpensively activated by speech is not too far-fetched.

Meanwhile the FECDBA has persuaded most of the 50 large banks in London to test an Automated Confirmation System (ACS) as from November. This should not only speed up the detection of verbal misunderstandings and eliminate mechanical mistakes from telex, but also prevent confirmations being mislaid or delayed by City messengers. The reduced paperwork and overheads could offset the capital cost and rental

of ACS equipment by the banks. The costs which really annoy the banks are brokers' fees, which come to around £1m per year for a clearing bank and double that for a bank specialising in syndicated loans. Paradoxically, as more and more foreign banks are lured to the City, not least by its expertise in currency trading, the old-established giants find themselves subsidising the less active newcomers. Even the broking firms, which grow fat on Eurocurrencies, protest that they lose on some servicing.

Brokerage has long been subject to review and those on sterling deposits were renegotiated in the autumn of 1982. March 1 will see a new scale for monthly commissions on currency trading. The present discount of 25 per cent for fees, reaching 25,000 per month, will be replaced by negotiable rates which so far are available on £10,000 plus. After the end of next year there is supposed to be a completely negotiable scale, although nobody dares predict how far the discounting will go.

Experienced dealers reckon that four-fifths of the market will go on paying the prevailing rates of brokerage after March and that 1986 is more likely to see yet a further package agreed between the FECDBA and BBA. As one well-known treasurer puts it: "My bank wants to bargain hard but the market cannot afford to drive smelter" brokers out of business."

John Burke

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FOREIGN EXCHANGE V

Japan is seen as the next major development zone given the anticipated liberalisation of its financial markets

UK links with Tokyo houses

FROM the New York market, where they have achieved a predominant position, the UK moneybroking firms are now turning their sights on Tokyo. This is seen both as the obvious next step in time some terms and in anticipation of the opening up of the Japanese financial markets.

Their strategies may differ but on one thing the London moneybrokers are agreed. The much-postponed millennium of internationalisation is going to dawn, probably sooner rather than later, and they are determined to be as well placed as possible to take advantage of the resulting changes in the Tokyo money markets.

The *tanshi*, or call money brokers, are Tokyo's discount houses, even to the extent of having some role to play in the Bank of Japan's day-to-day monetary policy. In addition to their original function in the domestic interbank market, they have since 1979 been active in the open market, as brokers in foreign exchange and foreign currency funds.

This has given them an interest in the international money markets and has also brought them to the attention of foreign broking companies.

There are six *tanshi*, dominated by four companies. The largest by some margin is Tokyo Tanshi, followed by Ueda Tanshi, Nippon Discount and Yamane Tanshi. They deal rather than broker in domestic call money and trade in CDs and Japanese Government securities.

Dealing volume

The business which most attracts the UK brokers, however, is the pure brokerage of foreign exchange dealing. Interbank foreign dealing among Japanese banks is around \$50n a day, while foreign business between Japanese and foreign banks is estimated to be around twice this. The *tanshi* are at present excluded from the latter business and it is in expectation of this obstacle being lifted that the UK houses are becoming involved.

On top of this immediate trading of business the brokers believe that when the less efficient direct dealing becomes obsolete the absolute volume of business will rise and that an explosion will take place in the Tokyo market similar to that in New York when similar barriers



The foreign exchange dealing room at Sumitomo Bank, Tokyo

were lifted in the mid-1970s. The London moneybrokers, dominated by three publicly owned companies, Exco International, Mills & Allen and Mercantile House, all have some presence in Japan already. Their penetration has ranged from opening branches to establishing joint-ventures and to share-wrap arrangements.

Exco's subsidiary, Astley & Pearce, opened a Tokyo branch in 1978 but in 1982 it was felt it had reached the maximum market share it could without a local partner. Now Exco has a one third stake in a joint venture, Nittam, in which Nippon Discount holds the other two thirds. Mr Bill Matthews, Exco's finance director, says he thinks a 33 per cent foreign stake is probably the largest which can be hoped for in such a deal. According to Exco, its share of Japanese business has risen considerably since Nittam was established.

The other branch operation is that of Marshall Woelwarth & Co., one of Mercantile House's two moneybroking subsidiaries. Unlike Exco, which applied for a licence and started its branch from scratch, Mercantile House bought an existing broker, Maname, later changing its name to Marshalls; the branch still operates in that name.

Apart from any ceiling on market share there might be when a foreign broker goes it alone, the costs of setting up a Tokyo branch are prohibitive. Accommodation, both office space and homes for expatriate staff, is extremely expensive and the Japanese traditions of

employment make staff difficult both to obtain and, if necessary, dismiss.

Happy arrangement

The third of the three quoted companies, Mills & Allen, have what it terms a longstanding "friendship" with Ueda. Market gossip has it that they have tried and so far have failed to agree the terms of a joint-venture similar to Exco's with Nippon, but Mr Peter Goddard, one of Mills & Allen's directors, says they are happy with the present arrangement.

If and when a more concrete relationship with Ueda does materialise it will be made available to both of Mills & Allen's brokers, Guy Butler (International) and Harlow Meyer Savage.

Besides Marshalls, Mercantile House owns Charles Fulton & Co., taken over in rather painful circumstances in March 1982. Although Mercantile's only direct presence in the *tanshi* market is through Marshalls it may be that in the not too distant future it will find itself involved with Yamane, the smallest of the four largest *tanshi*.

After Fulton's takeover Mr Robert Phelan, manager of its Singapore operation, led a management buy-out and became the majority shareholder of a hived-off Charles Fulton (Asia), consisting of the Singapore and Hong Kong businesses. Last September Yamane Tanshi bought a 25 per cent stake in Charles Fulton (Asia). Although the two Charles Fultons are now independent

of each other, it is widely believed that it is only a matter of time before a deal is struck by which the Far East operation rejoins a restructured Fulton group, with Mr Phelan as a major shareholder. If this occurs Mercantile House will have gained a second foothold in the Tokyo market.

Perhaps the most interesting link-up between a London broker and a *tanshi*, and certainly the one showing the most commitment, has been the quasi-merger brought about by the share-swap between Tullett and Riley and Tokyo Forex. Tokyo Forex, a subsidiary of the largest *tanshi*, approached merchant bankers Robert Fleming in 1980 and asked them to advise on buying a stake in a London money broker. The result is that Tulletts have become Tullett and Tokyo Forex International Ltd, which is 47 per cent-owned by Tokyo Forex.

In return Tulletts have 15 per cent in the Japanese company, which for UK regulatory reasons severed its links with Tokyo Tanshi by means of a management buy-out before the deal was closed.

Mr Peter Doney, joint managing director of Tulletts, rejects charges that the share-swap was more a case of a Japanese *tanshi* obtaining a London presence than a London broker obtaining a presence in Tokyo. Tulletts believe that when the Tokyo market does go international, foreign brokers will not necessarily be allowed to continue one-sided penetration of the market, and they therefore eschewed the paths of acquisition, separate joint ventures or establishment of a branch.

Now they say they are already feeling the benefits of their new ownership structure, even before internationalisation. The most obvious advantage is increased access to Japanese banks worldwide while the exchange of staff between London and Tokyo is increasing expertise and contacts without the usual associated problems.

But the big benefits of all London brokers' plans depend on internationalisation. As one broker said, if he had been asked in 1975 how long the process would take he would have said two years. Now, when asked when, the Japanese are still saying "Maybe two years."

P. M. Elstob
Editor, FT International
Banking Report

There is already a strong tide of diversification overseas

Ultimate target is broad band of financial services

WHEN Mercantile House, the international financial group acquired Oppenheimer Holdings, the Wall Street stockbroker and one of the top 10 fund managers, in the summer of 1982 British rivals of Mercantile were openly critical of the \$91m deal.

"The only thing that money brokers and stock brokers have in common is the noun 'broker'," was a typical remark at the time.

Yet the timing of the deal was well judged. In the eight and half months following the acquisition to the end of the group's financial year in April 1983 Oppenheimer and Co, the stockbroking and trading division, accounted for £20.2m in profits, out of total group pre-tax profits of £44.7m—a reflection of the very active trading conditions at the New York Stock Exchange.

Last September Mr John Barkshire, chairman of Mercantile House, told Wall Street analysts that his group would be involved directly or indirectly in other financial services areas such as banking, insurance and perhaps property management advice. He has argued that the traditional demarcations between markets and between functions will have disappeared in the next few years. "Institutions will not be classified as banks, brokers, fund managers or insurance companies. They will all be classified as financial service companies offering a broad and diverse range of products," he said.

Mercantile House is evolving rapidly into a financial services conglomerate. Money broking is still important to the group; its money broking companies—under the Marshall name—rank as one of the two largest international brokers of its type in the world. Daily turnover is said to be in the region of \$50n to \$75m. Marshall operates in a Eurocurrency market or the international deposit market and the foreign exchange market.

Mercantile argues that the current fashion of volume discounts on brokerage has concen-



Mr John Barkshire, chairman of Mercantile House

trated business with the four or five large international brokers. There are no medium-sized firms at all but there are a whole range of small local specialists.

In addition to its Oppenheimer interests Mercantile has an important commodity division, Rouse Woodstock. Mercantile has been in the commodities business for just three years or so but is setting up a global network in an effort to become a force in the commodities markets.

Mercantile also owns a broker which deals in U.S. fixed income securities—William Street Brokers—and a lease broking operation—Saturn Leasing. Among its plans for future development Mercantile has been researching the possibility of taking an interest in a leading firm on the London Stock Exchange following the deregulation of the market. "New openings are going to have to occur to establish large well-capitalised UK-based institutions which are capable of living in a world now dominated by American and Japanese securities houses," said Mr Barkshire.

"I actually believe that if we at Mercantile House were

allowed to do exactly what we wanted we would buy a jobber and a broker and put the two together at the same time and throw in a merchant bank and a discount house," he said. Already the name of Mercantile House has been linked with Gerard and National, a discount house, in talks which were aborted.

Mr Barkshire argues that in the future the international financial markets are going to be dominated by financial futures and options and their derivatives in the same way as the last two decades have been dominated by Eurodollars.

Financial futures markets, he says, are now entering a phase of "internationalisation" of which the creation of the London International Financial Futures Exchange represented part of the trend. The creation of the futures exchange in London would provide a vital link in the creation of a 24-hour market, partly because of the place of the London exchange in the time zone between the Far East and the U.S.

The uncertainty for groups like Mercantile lies in currency movements. Around 90 per cent of the group's earnings currently come from the U.S. If the dollar were to depreciate Mercantile House's earnings would be adversely affected. The group is planning its next drive for expansion in the UK, Europe and the Pacific Basin in an effort to establish profits in a wide variety of currencies. But so far, while the group has wished to diversify elsewhere, more frequent opportunities for investment have arisen in the U.S.

Like Mercantile House, Exco International—the other leading house—is committed to establishing a broadly based financial services group, extending from its traditional money broking operations. For some time the main driving force behind the earnings growth of Exco has been its stake in Telerate, the fast growing U.S.-based financial information network. Exco is keen to develop a global dealing business utilising the Telerate

system to provide rapid information to clients.

As part of its overall strategy the group bought W. I. Carr & Co (Overseas), the Hong Kong stockbroking arm of Carr Sebag, in May 1982. After partners' salaries and Hong Kong tax WICO made £2.2m to March 31 1982. Results for 1982/83 were not disclosed but are estimated to have been lower as a result of less active markets and of heavy expenditure on an improved communications system. First-half profits in the current year are said to be well ahead of the preceding six months.

Like Mercantile, Exco has surveyed the London scene to take advantage of the opportunities arising from the deregulation of the London Stock Exchange. But talks with Wood Mackenzie, the burgh-based stockbroker, broke down when both sides failed to agree on how Wood Mackenzie should develop once it came under Exco's wing.

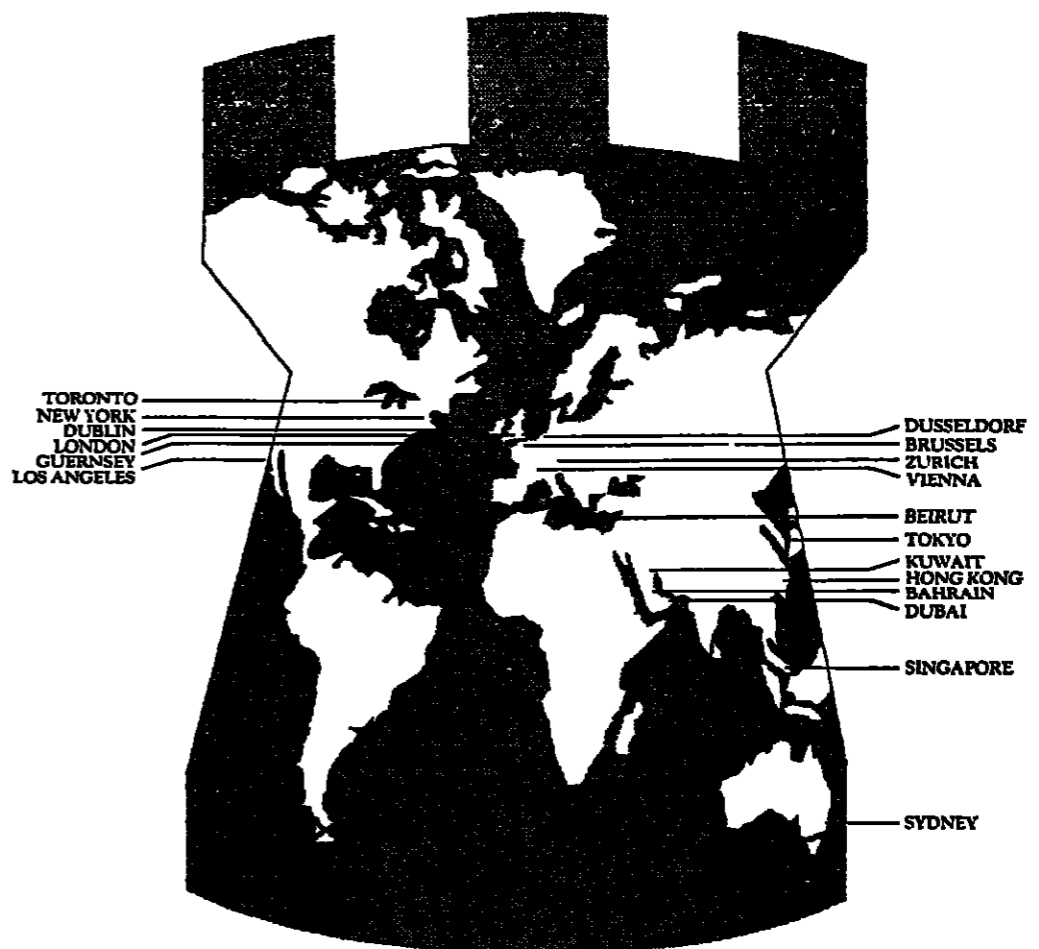
Exco is now contemplating developing its own dealing operation in London through hiring existing members of the Stock Exchange in the same way that Prudential Bache planned its entry into the London securities market.

For the moment both Mercantile and Exco will be concentrating on developing their activities in London to take advantage of the search for capital by the member firms of the Stock Exchange.

There are other attractions in forming a link with London securities firms. The Stock Exchange is liberalising its rules for dealing in overseas securities. Member firms are to be allowed to create international dealerships which will permit the participation of outsiders to a far greater degree than the present limitation of 29.9 per cent shareholdings in member firms. With their international networks the big money broking groups will want to capitalise on the latest changes taking place.

John Moore

The Tullett & Tokyo Forex International Group



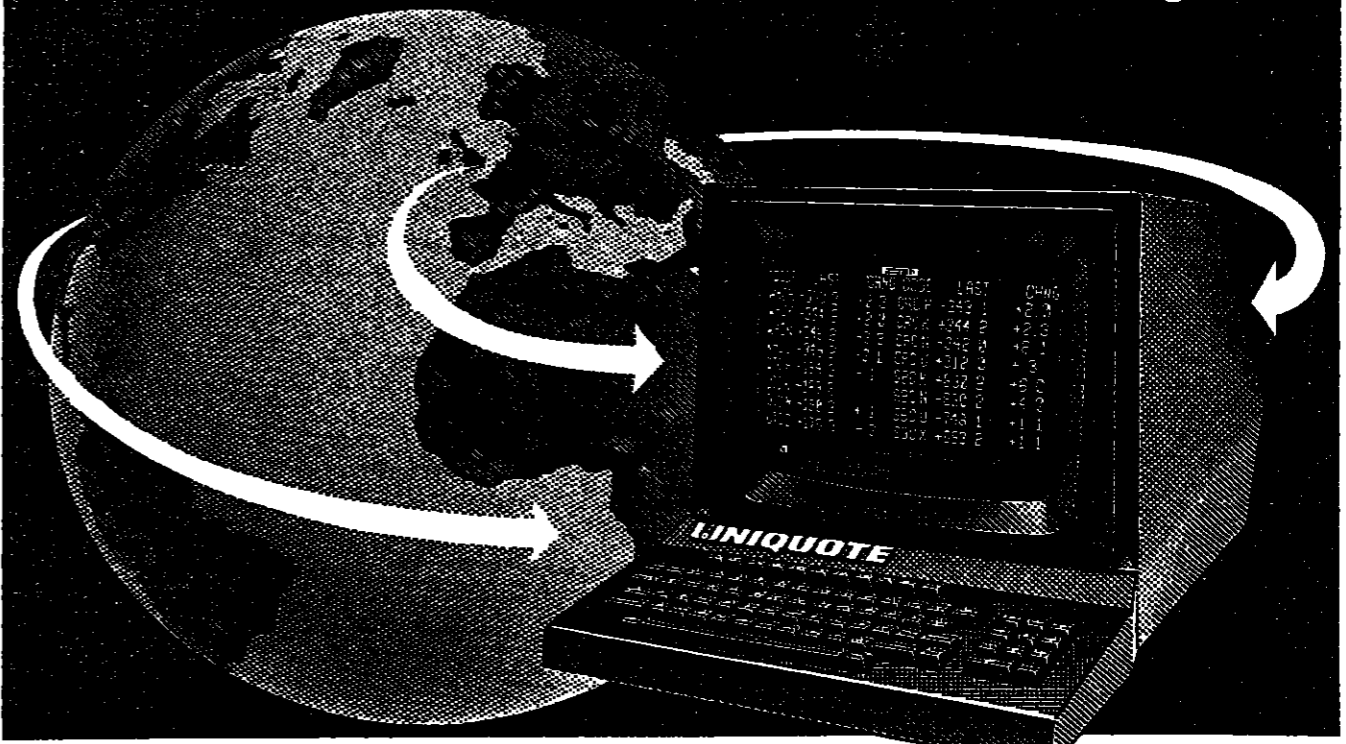
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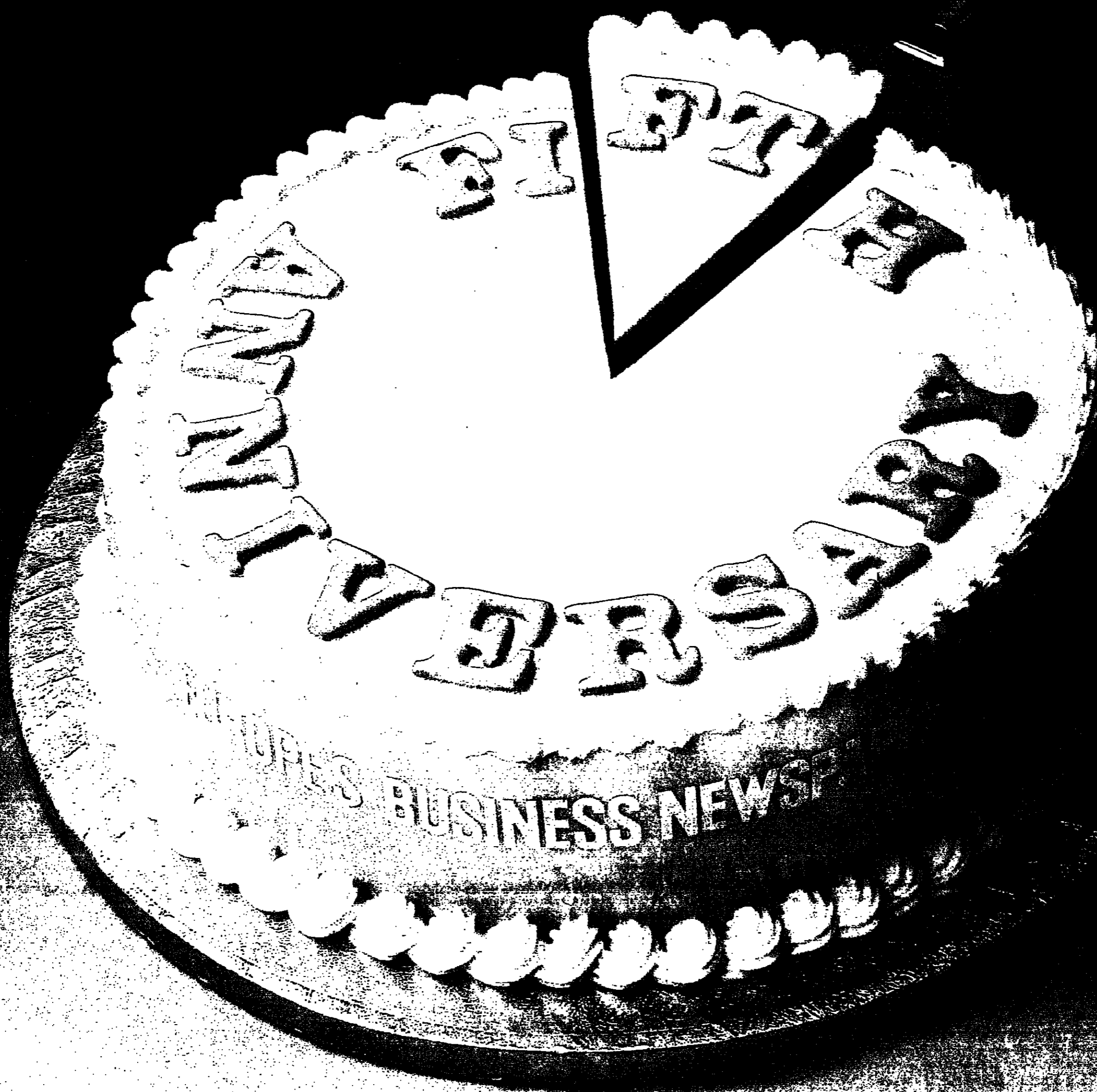
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Everyone speaks the Financial Times

THE ARTS

Nightmare Rock/Newcastle

Michael Coveney

It sounded like a promising idea: a new rock and roll musical by that gifted comic actor Kevin Williams who was the waiter in Guys and Dolls and is currently appearing in Blondel: something to do with a parody of Sherlock Holmes in hot pursuit of Elvis Presley; and a cast led by two outstanding musical performers, Diane Langton and Peter Straker, who first worked together on Hair in 1968 and whose combined, inflammatory talent might ignite even the dampest of shows.

And Nightmare Rock at the Newcastle Playhouse turns out to be exactly that: the dampest of shows. And the dampest stage parodies of the Conan Doyle characters are nothing new, but here author and detective are rolled into Sir Arthur Shirley-Jones, whose blast of cocaine in the opening scene induces a dream heralded by a blast of Elvis Presley.

This is the first Presley number of an evening which turns out to be full of the same. The Ku Klux Klan are investigating the case of the Prince of Rock and Soul. Sir Arthur (Richard Barnes) and Dr John Watt-Long Johnson (Larry Dann) suspect that the schizophrenic double act of Dr Jack Hale and Nurse Ide is involved, especially as they are in constant receipt of dead bodies courtesy of Burr and Harry.

Jack Hale and Ide are a Rocky Horror duo played by Langton and Straker. Mr Straker comes steaming on with the first of the Leiber and Stoller numbers, "Trouble." In black high-heeled boots, see-through blouse and spangled Afro hair-do, he affects a kind of robotic jig, as if manipulated by the hunchback servant Egon who sneers in a crippled, attendance and pulls a few levers to animate

the grotesque backing group, the Gorgonaires.

The acquisition of bodies, the experiment of a Life Cure and the re-opening of the Rainbow Rooms with a show to remember—these themes do not so much emerge as sort of bump around into each other. In between the songs, Mr Straker is provided by a good local band, the East Side Torpedoes.

The show is best when it operates just as a concert. In the rehearsal scene, Mr Straker almost goes up in smoke as he unleashes his extraordinary "Mean Woman Blues."

Once Miss Langton hits the front in her tiny scarlet corset's outfit there is no stopping her, either. In the laboratory she is reconstituting a fourth Gorgonaire with power drill, spare limbs and huge chopper. What to do with the microphone? Miss Langton inserts it into her ample cleavage and continues, calmly and with erotic nonchalance, to belt out "Anyplace is Paradise."

Ken Hill's production, bumpy and intermittently entertaining, never overcomes the dire paucity of the book, the tired old-fashioned camp of the concept and the inevitable, hysterical decline into an Elvis album.

The action is played on three areas, with some pleasant high-tech details, but Robert Jones's design necessitates some dreadfully cramped entrances.

Mention must be made, though, of a stunning third performance, that of Brendan Healy. Mr Healy has been squirming with embarrassment at his first act robotised body-snatcher, but the execution is undeniably brilliant, and his second act spiv even more so. This clever fellow troubles, even, as the musical director.



Christina Matthews and Lonnie Donegan

Mr Cinders/Fortune

Antony Thorncroft

Mr Cinders, the surprising but most deserved musical success of 1983 (and of 1982), has received another boost with the arrival of Lonnie Donegan in the title role of James, the male Cinderella forced to sliver for his grand relations but fully deserving his fairytale ending.

Of course Donegan is, in theory, much too mature for the role but this just helps set him apart from all the bright young things, and he handles the comedy routines with the insouciance of an old trouper. He can also match the singing skills of Christina Matthews,

the pert young oil baron's daughter, who is his reward for being nice.

Mr Cinders is a delight. The cast, quite wisely, do not go over the top, and as the melodies roll sweetly from Vivian Ellis's pen ("Spread a little happiness," "She's my lovely" and more) you wonder why Britain developed an awe of the Broadway musical.

Diana Martin and Graham Hooley give strong vocal support from among a large cast in this typically escapist bonne mouche which gets it just right in scale, tempo and chirpiness.

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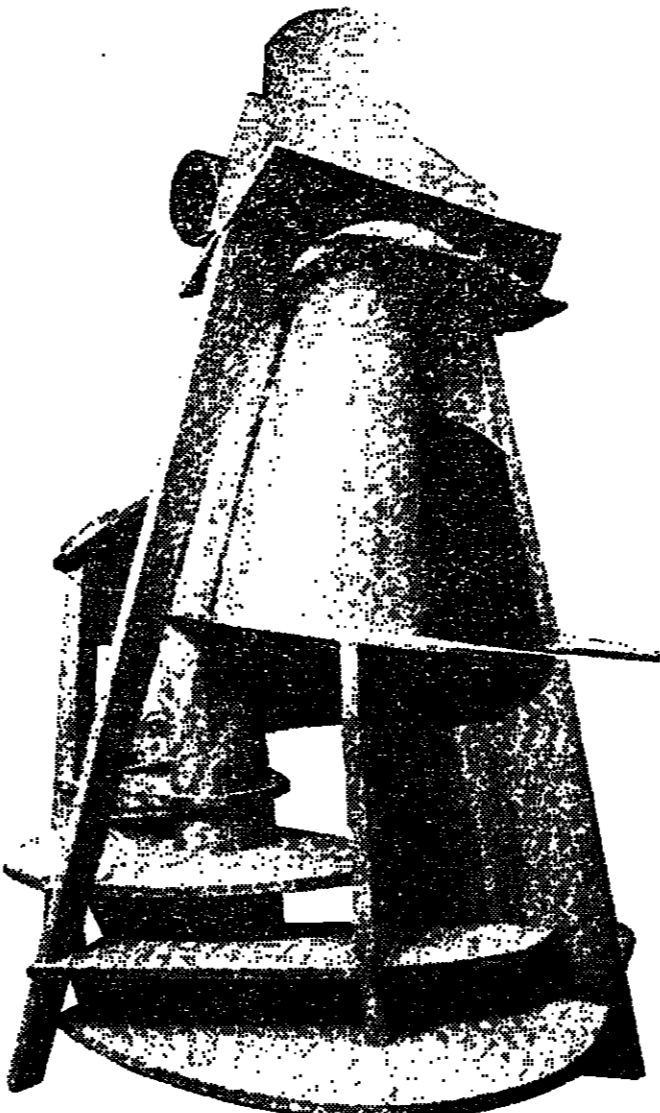
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GOVERNMENT OF NEW ZEALAND

February 14, 1984

Liberty's, London/William Packer

Artists furnish a room



The Child's Tower Room, by Anthony Caro, to be seen at the exhibition, 'Four Rooms', at Liberty in Regent Street until March 10.

The idea of the all-rounder, with its connotations of natural ability tempered by easy versatility, the balanced temperament, the man of parts, the true amateur, should come easily enough to us, with our courier and soldier poets, our playwright architects, our gentlemen farmers, our whole history of polite accomplishment; and certainly it is not foreign to the history of art at large — Leonardo the inventor and speculative scientist, Rubens the diplomatist, Piero the mathematician, Caravaggio the man of action. But in our poor, constrictive age, we would far rather see the most expansive and energetic of cobblers should stick to his last, that we might know where he is, and we are.

The point is not that we should wait upon a second Leonardo to force the opportunity rather than the should not be so wastefully cautious as to wait at all. Our artists are always with us, and only need an imaginative proposition or commission to be set on their mettle. If they are not taken with it, or otherwise engaged, they can always say no, and there will always be very many more to ask in their place. The heresy of the Design lobby, so vocal now, is the reinforcement still further of specialisation when all good designers know how well they too respond to wider stimulation.

The idea, therefore, that the Arts Council should ask four distinguished artists each to design a room, entirely as they would wish and to be furnished from scratch, far from being outlandish, radical or questionably experimental, could hardly be more natural. In fact, it has been explored often enough before: Whistler's Peacock Room, the Omega interiors to be seen even now at the Crafts Council, the more disciplined interiors of the Constructivists, the Bauhaus and de Stijl. Fourteen years ago Miss Jasja Reichardt put on a show at the ICA, "Ten Sitting Rooms," which was just that, more various than this latest exercise if perhaps less ambitious in particular scope and detail, in which the artists responded more directly through their work to a limited brief, adapting their work where necessary rather than determining the space.

Now these four artists, Hodgkin, Hamilton, Caro and Chaimowicz, of such different practice and sensibility, are much more the masters of their given space, the only constraint the practicalities of an extended tour (from Liberty—until March 10—the show goes on to Wolverhampton, Southampton, Newport, Aberdeen and Sheffield) and of actual manufacture. The most immediately accessible of the rooms, both physically, as a comfortable and welcoming space through which to move (or indeed in which to stay and sit), is last, and, actively, as one that could readily

be seen as the familiar setting of a normal if rather stylish life, is by Howard Hodgkin, the painter who is to our chagrin at the Venice Biennale this summer.

The image of the interior, in any case, has always been central to his work, spaces described in broad and deceptively simple statement, but richly atmospheric nonetheless, and inhabited more by a reduced and lingering human presence than by any realised figure. His room, empty, remains quite as sumptuously ambiguous, the colours cool yet lush, the tone heavy and even overbearing; and it is activated, given an oddly potent temporal dimension, by the battery of lamps that switch themselves up by degrees to full brightness and then as regularly step down again into comfortable gloom. The visitor sitting in an arch chair, amongst the disarmingly

patiently, be given the treatment. This restraining mood is intensified by the suggestion that what is good for us might not be good for them; whenever I am X-rayed, the retreat of an operator behind a screen makes me feel uneasy.

Marc Chaimowicz' engagement with the idea of the interior has always been more ironical and detached, and so mutedly close, ambiguous, his fastidious visual scenarios and suggestions, their refinement flirting with the precious, conjuring up quite other lives, unspoken histories. This commission has brought him down, as he happily admits, from his ivory tower; and the requirement imposed upon him to collaborate with craftsmen and workmen on the nicest detail, has been for him perhaps the most rewarding feature of the exercise. But it remains for him essentially a projection of the imagination, his room alone forbidden the visitor's actual presence and consequent participation.

"Is location is the centre of an imaginary city — a hybrid of parts of Paris, London and Vienna — and yet close to the sea. It is on one corner of an apartment on the fourth or fifth floor and on a street junction overlooking both a railway terminus and a market. It is by implication therefore both here yet elsewhere. Simple, clear, purposeful, curling along the wall a tower of drawers rising in the corner, the desk that tilts alarmingly off the horizontal, a large blank window and another high up in the wall, a picture hanging on the wall; "hence perhaps, within its purity, a sense of ambiguity or of disquiet."

Anthony Caro completes the square with his "Child's Tower Room" — perhaps the most surprising of the four rooms, so much a single piece of sculpture as a characteristic of the artist, and yet delightfully adequate to the brief. Like Tadini's tower, it rises in a spiral, off centre and getting smaller; and to enter it is to enter the most polemical and unambiguous of the four. It may be a bed, or a couch, or an operating table, beyond the curving screen with its panel of instruments, a heavy screen allight with Mrs Thatcher lowering above it, the white and olive two-tone walls redolent of the institutional life: but it is a tableau that stands in the direct line of his more cheerfully populist collage interiors of the 60s and 80s, though high-tech has taken over from mod-con and B movie incident, and the millennium of "This Is Tomorrow" has failed to arrive. "The essential characteristic of such a space," he says, "is the way it implies an impartial energy: we shall, if we wait our turn

virtuously by Mr Mitchell. The rest of the programme was tape music, performed by Margaret Sambell, a student at Birmingham University, was composed on Birmingham's Fairlight computer. Less than five minutes' long, it includes two or three brief sections more reminiscent maybe of studies in studio technique than composing; but otherwise it is a strong and original piece that betrays a real poetic sensibility and an arresting idea in microcosm—I look forward to hearing her next work. I wasn't convinced that Jonathan Harvey's Veils and Melodies, comprising three different tape-pieces played simulta-

Drama in Bristol

Martin Hoyle

The regions are reverting to solid red-blooded theatrical fare after the soufles and sweetmeats of Christmas. The Bristol Old Vic's menu offers Shakespeare and Ibsen in the Royal's old auditorium, and the New Vic's repertory company the New Vic's repertory company.

A Doll's House works surprisingly well in the round. The polygonal acting area comes to assume the outline of a cobweb. However briskly the heroine rockets round the stage — and in Richard Cottle's production she is giddily mobile — she remains hemmed in, though as vulnerably on displays as any caged songbird.

Laura Davenport has the makings of a strong, intelligent Nora. At times almost a parody of the little woman, she tends to depict a child rather than a childish adult — a crucial weakness, bearing in mind Nora's ultimate capacity for self-knowledge. Moreover, to convey immaturity the director has imposed the gawky undisciplined movements of modern adolescence, all swinging arms, spicing strident occasional sporadic dance-steps, on this mid-Victorian bourgeois provincial. One almost expects her to burst out with "Aw shucks!" This may demonstrate unchanneled energy, but period feeling is absent.

When allowed to be still, as in her final credo of self-realisation, Miss Davenport is moving, needing only a shade more vocal variety to be totally gripping. Here for the first time William Hoyland's Torvald, too, is more than a woodenly genial caricature.

Gillian Bevan's cool, clear-eyed Christine, the one strong character in the play, gains from calmer direction: her longing for work to fill an "unspeakably empty" life clearly anticipates Irena in Three Sisters. Gareth Armstrong convinces both at sensitive blackmail and embittered redemption.

One feels modern feminists bristling at Ibsen's cunning trail-laying with the boys' Christmas presents of uniform ("very manly"), sword and trumpet, the doll and the cradle for the boys, the cradle for the girls. In Bristol, as elsewhere, incidentally, are first-rate. It was heartening to see so many youngsters in the audience gasping at Torvald's patronising pigishness and absorbed by Nora's (still) unheroic reasonableness. After a century this astonishingly fresh play holds good. What a shame that the final symbolic

Faust/Playhouse, Epsom

Rodney Milnes

To those who have long suspected that Gounod's Faust is an unpretentious opera-comique in ill-fitting Grand Opera clothing, Nonsuch Opera's admirably enterprising production at the new Playhouse Theatre at Epsom last week came as something of a revelation: here — probably for the first time in this country, and anywhere for over a century — was the work more or less as Gounod conceived it for the Teatro Lyrique in 1859.

The use of the original spoken dialogue, translated for the occasion by the producer, Peter Foster, was a gain. Passages that can hang fire in the opera as we know it — Mephisto's fortune-telling, and his interruption of Wagner's song — trip along easily when spoken, and the Garden scene, with its formal numbers separated by dialogue instead of recitative, emerges as an ever more perfectly structured dramatic entity. Most important, the characters at Epsom last week came as something of a revelation: here — probably for the first time in this country, and anywhere for over a century — was the work more or less as Gounod conceived it for the Teatro Lyrique in 1859.

Mr Foster's ambitious staging suffered a number of mishaps on the first night, and it took an act for the conductor, Helen Robertson-Barker, to find the delicacy of touch that Gounod demands. But the opera was very strongly cast, with Hilary Western a secure and credible Marguerite (she sailed over the Jewel song, that Beecher's Brook of disbelief, with ease), Geoffrey Foggan a mellifluous Faust, Kathleen Smales an enchanting Siebel, and Patrick Wheatley, a bluff Valentine. Ian Comboy was an elegant and restrained Mephisto until, that is, he surprised everyone by taking his clothes off at the final curtain. Revelations at a musical level were surely quite sufficient to carry the evening.

Rococo exhibition at V and A

Sir Roy Strong, director of the Victoria and Albert Museum, has announced a major exhibition on the long neglected subject of the rococo to be open at the V and A this May. Rococo, Art and Design in Hogarth's England will run from May 16 to September 30 and will be a spectacular show.

It was Leigh Hunt who said that a parrot must have invented the word rococo — a subject worthy of such a bird's naughtiness and incoherence. There will be nothing tawdry about this exhibition which will include 500 objects valued at more than £15m.

The rococo has always been a style that divides the critics and the opportunity to consider an assembly of the best examples of the period 1730 to 1760 produced principally in

England is something exceptional.

In the tradition of the grandest V and A shows, this one will evoke the atmosphere of the period as well as displaying the objects. At the centre will be a reconstruction of part of the Vauxhall Gardens where the fashionable Londoner went to hear the music of Handel and sit in a supper box decorated with paintings. Handel was a presiding deity of the period, and the famous statue of him by Roubillieu will be at the centre of the exhibition.

To explore the decorative nature of the style, furniture, Spitalfields silk and the largest display of gold and silver by Paul de Lamerie ever assembled, will be shown in reconstructed room sets.

COLIN AMERY

Saleroom

Antony Thorncroft

The Earl of Iveagh, chairman of Arthur Guinness, is selling the contents of his English country house, Elvedon Hall in Suffolk. The sale, organised by Christie's, will take place on the premises between May 21-25 and should raise in excess of £2.5m (\$3.5m).

Announcing the sale, Lord Iveagh said "I cannot foresee my living in the house again, as I now live in Ireland. I would therefore like others to have the opportunity of enjoying the works of art as much as I and my family have done in the past." There are no plans to sell the house itself or the Elvedon Estate.

The auction will be unusual in terms of its size rather than its quality. There will be over 2,500 lots, of which 1,300 will consist of furniture, in the main of English and Irish provenance and of a tremendous variety. Among the pictures there are many marine views, and a group of Classic Winners by the equestrian artist John Frederick Herring.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

February 10-16

PARIS

Khovanchichina — Mussorgski's powerful historic fresco of the Russia of Peter the Great magnificently produced by Pier Luigi Pizzi with Woldegar Nelson's inspired conducting of the Colonne Orchestra at the TNP-Chatelet. (233-4441).

LONDON

Royal Opera, Covent Garden: After a long wait and two cancellations in past seasons, the Royal Opera finally brings into port its first staging of Giordano's Andrea Chénier, a second-rank Italian opera of undeniable merit. The cast is led by José Carreras, Rosalind Plevright, and Bernd Weikl; the production, shared with Cologne, is by the admired Michael Hampe; and the conductor is the Welsh National's Richard Armstrong. Also in repertory, the successful Bohème revival, with Iona Tabbey, Dennis O'Neill, and Thomas Allen, conducted by John Maurer. (240-1068).

English National Opera, Coliseum: The new production of The Master-singers of Nuremberg by Elijah Moshinsky, conducted by Mark Elder, alternates with the fragrant Traviata revival (with Kelly Millican Lambert in the title role) and the ENO's much-praised Gilbert and Sullivan. Pultence. (836-3161).

ITALY

Milan: Teatro alla Scala: Giselle — with Italy's two top ballerinas, Carla Fracci and Elisabetta Teresuzzi dancing alternately; Wagner's Tannhäuser conducted by Georges Pretre. (809-128).

WEST GERMANY

Hamburg, Staatsoper: Don Carlos highlights the week with Ruggiero Rimondi, Elena Obrazzova and Luis Lima in the leading roles. Die Zauberkölnig is Carla del Be as Queen of the night, Arabella, an Ot-Schenk production, is steered to triumph by Judith Beckmann in the title role. (351-151).

NEW YORK

Metropolitan Opera (Opera House): First seasonal performance of Tannhäuser conducted by James Levine joins the new Rinaldo production conducted by Mario Bernardi and starring Marilyn Horne; Stravinsky with the Met Ballet and sets by David Hockney; and Peter Hall's production of Macbeth, premiered last season with Renata Scotta as Lady Macbeth and Sherrill Milnes as Macbeth. Lincoln Center. (880-9830).

NEW YORK STATE

Theatre: The final weeks of the company's season of mixed repertory includes performances this week of Afternoon of a Faun, Scotch Symphony and Kammermusik. Lincoln Center. (870-5570).

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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A compromise in Moscow

THE KREMLIN power-brokers have taken the course of least resistance in picking Mr Konstantin Chernenko as their new party leader. The inevitable question, though, is whether the easiest choice was the best one.

Mr Chernenko was clearly outshone and defeated for the top party job 15 months ago by the late Yuri Andropov. This time his extensive grooming for ultimate power under Brezhnev paid off. The 72-year-old Mr Chernenko had the asset of long experience in running the party apparatus while his contemporaries Marshal Dimitri Ustinov and Mr Andrei Gromyko concentrated on their defence and foreign affairs portfolios. He also had the seniority rank to pull on the younger contenders, Mr Grigori Romanov and Mr Mikhail Gorbachev. His selection is thus the least surprising outcome.

Men rise to the top in the Soviet Union by juggling often conflicting party military and generational pressures. These constituency pressures act as informal checks and balances to keep a collective leadership, particularly in the early days of a new general secretary. Little dramatic change is to be expected early on in the Chernenko era.

Speculation

Mr Gromyko and Marshal Ustinov will keep foreign and defence policy in their veteran hands and have a very important say in other matters. One of the younger leadership contenders might be consigned with the probably overdue job of replacing the 78-year-old Mr Mikhail Tikhonov as Prime Minister. If the pattern of the last two Soviet successions is followed, then Mr Chernenko will sooner or later acquire the important symbolic post of president. It took Brezhnev three years to do this, but Mr Andropov six months. But since Mr Chernenko seems, at this stage, a less considerable figure than his two predecessors, his power may remain diffuse.

For this reason, instant speculation about "Chernenko policies" is dangerous. It is worth remembering that initial hopes that one of Andropov's first moves would be a major initiative to end the war in Afghanistan were soon dashed. Soviet relations with the West are still at an impasse. Had Mr Romanov, who is believed to

have advocated hardline, anti-western policies, been picked as the new leader, it would have been possible to predict a prolongation, even a worsening, of the arms control deadlock with the West.

Caution

Mr Chernenko is associated closely with the Brezhnevian detente of the early 1970s, but also with its breakdown in the late 1970s. It is likely that the Chernenko politburo will continue the arms control re-assessment begun under Andropov, and make any decision on resuming negotiations with the U.S. dependent on a calculation of whether, on balance, staying away from the Geneva arms talks is helping or hurting the Soviet image in the West.

The same deliberate caution is likely in Soviet domestic policy. Again, had Mr Gorbachev, placed by Andropov in charge of the key agricultural sector, been chosen yesterday as the new leader, one could have forecast acceleration of economic reform. As it now is, the new leader is drawn from the ranks of veteran party bureaucrats, precisely that group which Andropov criticised last summer for representing the "accumulated inertia" against reform. From the start of this year factory managers in a few selected sectors and locations were given more decision-making autonomy.

In his acceptance speech, Mr Chernenko indicated that these limited reforms would continue. However, he said that the guiding principle would be "look before you leap."

Transitional

If they believe their Kremlinologists, western governments may be disappointed that the choice did not fall on Mr Gorbachev, or relieved that it did not fall on Mr Romanov. As Mr Chernenko is their reaction to Mr Chernenko will be pretty neutral, not least because, being 10 years older than the average life expectancy of the Soviet male, Mr Chernenko is likely to be another transitional figure.

They may also fear that the relatively colourless Mr Chernenko may be too old and politically too weak to respond to western overtures for a more constructive relationship. But the West has no alternative, but to pursue the effort, and it cannot be more difficult than when Mr Andropov was dying incommunicado.

Abandoning the economic isms

THE THREE-DAY meeting of ministers, employers and trade unionists mounted by the OECD in Paris last week—a kind of international Nedo kind—seems to have produced a considerably more helpful briefing for ministers than the OECD staff paper which will be laid before them this week. At least it recognised the rather glaring fact that some countries—namely the U.S.—have been far more successful than others in reducing unemployment. It also confronted such difficult questions as wage flexibility and work spreading, and the impact of high employment taxes on the demand for labour. There seems to have been some agreement that while flexibility and deregulation are helpful, public spending and investment may also have a role to play.

If ministers can match this open-mindedness, rather than engage in a sterile exchange of ideologies, some useful work may be done in the coming ministerial meetings, though this remains rather against the odds. The problems of making policy in the 1980s are now surely fairly widely understood. Fiscal stimulus to demand is constrained by the fear of inflation, which is likely to endure for some years yet; but it is absurd to pretend, against the background of U.S. experience, that it simply does not work.

Uncertainty

Depressed demand, against a background of unusually rapid technological change, has led to the strongest pressures for protectionism to have been experienced since the Second World War. But perhaps the most important impediment to growth is the enormous increase in uncertainty, which inhibits any long-term investment industry, notably the wild swings in competitiveness which have been experienced in recent years.

This question, which M Delors

Co-ordination

If this distinction can be more generally understood, the meeting will achieve something useful; but more important is the task of convincing ministers—especially those who are complacent about the domestic results of their present policies—that policy-making is now an international responsibility. Only better policy co-ordination will achieve the relative stability which is essential for a spontaneous revival of growth. The international linkages between financial and trade policies and exchange rates can be explained without issues; it would be helpful if OECD officials could concentrate more on these questions where they are in a position to make a unique contribution.

THE STRUGGLE for power in the Soviet Communist Party has not ended with the emergence of Mr Konstantin Chernenko yesterday as the sixth leader of the Soviet Union. It has just begun.

The ritual unanimous vote of the party Central Committee came at the end of four days of discussions and consultations in the Politburo. The ultimate decision to opt for the man who was defeated 15 months ago bears all the signs of a painfully achieved compromise.

At 72 years of age he is the oldest man ever to become leader. But although four years older than Mr Andropov, when he was chosen, Mr Chernenko is apparently stronger and healthier than the other septuagenarian Politburo members who could, perhaps, have equally well been chosen as an interim leader.

Mr Andropov was chosen despite his age because he was perceived to possess the wide experience and skills to shake the Soviet Union out of its late Brezhnevian decline and set it on a new course. Mr Chernenko appears to have been chosen to hold the ring while younger men gain more experience and support.

It would be easy to dismiss his selection as a symbol of the lack of imagination and resistance to change of the ageing Kremlin power brokers. It certainly reflects the strength of opposition, at this stage, to the appointment of younger men who could be expected to hold power for a decade or more and really set their stamp on this vast, unwieldy multi-national empire and world power.

Self-interest—and determination of existing office holders to cling to their power and privileges—was probably one important element in the choice. A younger man keen to build up his own power base would almost certainly have moved further and faster than Mr Chernenko is likely to do, without any guarantees that he would have proved as tolerant as Mr Andropov to those replaced.

Mr Chernenko's entire career has been spent inside the Communist Party apparatus. His long association with Mr Brezhnev began in 1950 when the latter was made first secretary of the Communist Party in the southern republic of Moldavia and Mr Chernenko was secretary in charge of propaganda and agitation.

His career took off in 1965 when Brezhnev, as party boss in the Brezhnev-Kosygin-Podgorny "troika" which

One of the most positive features of Mr Andropov's rule was that he humanised Soviet politics by a lack of vindictiveness towards defeated rivals. He did not make them non-persons and allowed them honourable retirement, except where they were found guilty of massive corruption and abuse of power. In those cases they were tried and punished with due process of Soviet law.

Many must have asked themselves whether they would have enjoyed similar treatment at the hands of men like Mr Mikhail Gorbachev, or with more force, Mr Grigori Romanov, the former Leningrad party boss who has a reputation for ruthlessness.

The selection of Mr Chernenko formally fills the vacuum

left by Mr Andropov and ensures that the Soviet Union has a titular leader to greet foreign dignitaries after today's funeral ceremonies, and to chair key Politburo and other meetings. It also ensures continuity and guarantees a guiding role for the powerful older men who helped to run the Soviet Union under both Mr Brezhnev and Mr Andropov. It means that the younger men can be advised and watched as they groom themselves for the eventual and unavoidable generation change.

Above all, perhaps, the choice of Mr Chernenko provides a breathing space, time in which to complete a review of Soviet domestic and foreign policy objectives—and time for the West to make clearer its own hitherto cautiously expressed desire for better relations with Moscow.

In the meantime, the process of promoting younger, better educated men into key party, government, military and economic positions can be expected to continue, because a powerful head of steam for

overthrew Mr Khrushchev, called him to Moscow and appointed him head of the General Department of the Central Committee. His present power base in the party stems from this post which, in effect, made him responsible for placing loyal Brezhnev supporters throughout the huge party apparatus. A year later Mr Chernenko became a candidate member and then in 1971 full voting member of the central committee. In 1977 he entered the Politburo as a non-voting member and achieved full voting status one year later. By this time Brezhnev's health was clearly failing and Mr Chernenko's power and influence rose as Brezhnev came to rely on him increasingly to prepare essential papers and

THE SOVIET LEADERSHIP

The struggle has just begun

By Anthony Robinson

change and modernisation was built up under Mr Andropov. This coalition of forces includes, indeed is spurred on by, the military top brass. They are deeply concerned about the growing relative technological backwardness of the Soviet economy and demand changes in order to supply the military machine with the electronic and high technology weapons of the 1980s.

Mr Chernenko was careful to reassure the military on this score when he said in his acceptance speech yesterday: "We will further see to it that our country's defence capacity be strengthened, that we should have enough means to cool the hot heads of militant adventurists."

It is not known at this stage

appointment remains the identity of his eventual successor as party secretary. Mr Andropov signalled that the two men he was grooming for the post were Mr Romanov and Mr Gorbachev by sitting them on either side of him when he met a group of U.S. senators in the Kremlin on August 15, the last time he appeared in public.

This time round the two Andropov contenders seem to have cancelled each other out. But from now on the real power struggle in the Kremlin is likely to be waged between them.

Meanwhile it will be fascinating to watch how Mr Chernenko performs at the post-funeral diplomatic reception in the Kremlin's glittering St George's Hall today. There he will take on for the first time the burden and honour of representing the Soviet Union. A significant pointer to the style of the new regime will be the extent to which visiting heads of state and government will be allowed to meet the younger contenders of the future, and the way in which they, too, react.

Fifteen months ago Mr Andropov surprised and impressed world leaders with his poise and grasp of complicated world issues and the freshness with which he approached thorny Soviet foreign policy issues such as Afghanistan, relations with the West. The slight impetus soon ran into the sands, however, and all these thorny problems remain.

Today Moscow is once again, momentarily, the diplomatic centre of the world. China is sending the highest ranking delegation to visit Moscow since the break up of Sino-Soviet relations in 1964, the leaders of Pakistan, India and Afghanistan will be there in the hope of direct talks over Afghanistan issues. The Vice-President of the United States, the Prime Minister of Britain, key Middle East figures and top ranking delegations from the Soviet Union's Warsaw Pact and other allies, Nato countries, Japan and non-aligned and Third World nations will all be in Moscow to pay their last



Mr Chernenko: A healthy septuagenarian

respects to Mr Andropov and hope to initiate new and more constructive relationships. It would be fanciful to hope for any great decisions or any great changes. The next few days provide another rare opportunity to assess the hopes and fears of the Kremlin under a new leader, but for the immediate future at least, essentially much the same team.

CHERNENKO: THE RISE AND RISE OF THE PERFECT BUREAUCRAT

THE SIXTH leader of the Soviet Communist Party, Konstantin Ustinovich Chernenko, was described by U.S. diplomats at the last U.S.-Soviet summit in Vienna in 1978 as "Mr Brezhnev's bag-carrier."

Mr Chernenko's entire career has been spent inside the Communist Party apparatus. His long association with Mr Brezhnev began in 1950 when the latter was made first secretary of the Communist Party in the southern republic of Moldavia and Mr Chernenko was secretary in charge of propaganda and agitation.

His career took off in 1965 when Brezhnev, as party boss in the Brezhnev-Kosygin-Podgorny "troika" which

maintain vital links throughout the party apparatus. He also accompanied Brezhnev on his travels and was at his side during the signing of the Helsinki agreements in 1975 and the U.S.-Soviet summit in Vienna. In public, he always appeared deferential and obedient, the perfect bureaucrat.

He was Brezhnev's own candidate for the succession. But he was outmanoeuvred by Yuri Andropov who could count on support from the KGB, the military, the foreign affairs establishment and the younger men frustrated by the immobility and drift of the declining Brezhnev years. A story put around by KGB disinformation channels at the time of the last leadership

contest, had it that Mr Andrei Gromyko, the veteran Foreign Minister, interrupted Mr Chernenko during the vital Politburo selection meeting with the words "Chernenko, don't you know the difference between Libya and Lebanon?"

This cruelly underlined Mr Chernenko's lack of experience in foreign affairs at a time when the Kremlin power brokers were looking for an experienced man to play the role of leader of a super-power with worldwide interests.

His power visibly waned as Andropov moved fast initially to establish his authority and began the difficult process of weeding out former Brezhnev supporters and re-

placing them by men loyal to him. But as Andropov's health deteriorated, Mr Chernenko came back, supported by an army of surviving Brezhnev men anxious to avoid the Andropov "new broom."

Brezhnev appointees still have many votes in the central committee and this time, it seems, the powerful men who supported Andropov could not decide between the competing claims of such younger men as Mr Grigori Romanov or Mr Mikhail Gorbachev who themselves lacked the time to build up their own power bases and connections.

So Mr Chernenko finally won the prize which eluded him 15 months ago. But at 72 Mr Chernenko, born of

humble Siberian peasant stock in September 1911, is the oldest man to become Soviet leader. He is physically unprepossessing, short and stocky with slanting eyes and a shock of white hair. He is a poor public speaker and totally uncharismatic.

Still, he is physically strong, despite a bout of pneumonia which kept him from work for a month last spring and he knows the labyrinth of party power like the back of his hand. He can be expected to hold the ring in a collective Soviet ruling group until the younger men have had a chance to prove themselves and the international situation has developed sufficiently for the future course of East-West relations to be seen more clearly.

Men & Matters

On trust

Roland Shaw, expansive chairman of Premier Consolidated Oilfields, single yesterday of the problems facing a small oil exploration company seeking to gain concessions in the Third World.

Top of his list was "associated local expenditure"—or, as Shaw paraphrased it: "We were massively out-bid by the larger companies."

As the prospectors gathered on one occasion in a remote oil province, Shaw proposed to his rivals that all the applicant companies should agree to offer no bribes to the government in question.

But the chief negotiator of the largest U.S. oil company involved, declined the proposal. Not, he hastened to add, because he could afford the biggest sweetener, but because such an agreement would violate the U.S. anti-trust laws.

Sporting chance

A keen watcher this week at the winter Olympics in Sarajevo is Peter Loughhead, premier of the Canadian province of Alberta.

The event, and all the ceremonial attached to it, is providing a useful test-bed for the 1988 winter Olympics to be held in and around Calgary in the foothills of the Rocky Mountains—and, incidentally, the capital of Alberta's oil industry.

Loughhead has been in London discussing the depressed world energy situation with Government officials and industry contacts. He is taking solace from the fact that his province has recently concluded a record C\$507m deal with the American Broadcasting Company which gives the network exclusive rights to the 1988 event.

Alberta officials leave no doubt about their confidence that the 1988 winter Olympics will be self-financing. They should not be compared, I am

told, with the Montreal summer Olympics of 1976—where cost overruns and scandals continue to be the subject of domestic and international litigation.

Loughhead plans to be in attendance at the new Saddledome Stadium in Calgary when the Olympics begin. Whether it will be as a private citizen or as premier he will not predict.

First degree

Even before Britain's first degree course in retail marketing was given official academic approval last month, Manchester Polytechnic was getting scores of applications from prospective students. It now looks as though some 1,000 candidates will be competing for the 36 places in the first intake this autumn.

Proof enough, says Terry Beer, personnel director of the MFT furniture group, of the "immense gap" that the course will fill.

Beer, with representatives of other leading retailers like Marks and Spencer, Sainsbury, and British American Tobacco, has been closely involved in planning the course.

MFT, and most of the other 12 companies on the advisory committee, have agreed to support the venture with finance for research staff exchange schemes and the provision of places for the students' two periods of work experience during the four-year course.



"At least under the Russian system they don't have to put up with weeks of Party Political commercials"

data processing and personnel to accounting and law—and sandwich them into project work within the retail trade from the start.

Sister-in-law

For the first time since it was set up 19 years ago, a woman has been appointed to the Law Commission, which keeps the law under review and promotes reforms.

Brenda Hoggett, Reader in Law at Manchester University, is also, at 39, the youngest Commissioner ever appointed.

She was educated at Richmond, Yorkshire, High School for Girls and Girton College, Cambridge, before being called to the Bar in 1969. She has specialised in family and social services law and been a member of the Council on Tribunals since 1980.

When her appointment, together with that of her colleague at Manchester, Professor Julian

Farrand, Professor of Law at the university, was announced yesterday, the Commission was slightly more sensitive about why it had taken so long to appoint a woman.

Appointments were made by the Lord Chancellor's Department, said a spokesman, adding that the Commission itself had no bias for or against women.

Hoggett appears to have benefited from a change in procedures. In the past when a vacancy has occurred on the Commission, head hunters have been sent out to find a replacement. They were never able to find a suitably qualified woman.

This time the vacancy was advertised. Ninety-two people applied—15 of them women.

For the benefit of other women who might wish to join, I should mention that another vacancy is about to occur and will be advertised.

Time out

A few days ago, John Lee, under secretary for defence, received an impressive-looking leaflet advertising a \$125 "Defence and Foreign Affairs Handbook" produced in the U.S. It promised "a source of up-to-date historical, economic, political, demographic and defence data for every nation, colony and territory in the world—all in one volume."

So up-to-date, in fact, that the leaflet was addressed to James Wellbeloved, secretary for the R.A.F. Wellbeloved not only left office with the Labour Government five years ago, he left the Commons last year.

Taxing times

A Birmingham poster advertised a talk entitled: "The Middle Class: the backbone of Britain." Below it, someone pencilled: "Three cheers for the bled white and blue."

Observer

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Letters to the Editor

North Sea oil exploration

From Professor P. Odell
Sir—Your editorial (February 8) continues in the pessimistic vein which has marked most analyses of the North Sea's prospects since its early days.

exploitation of reserves additional to those which were written into the original development plans. Thus, either plateau rates of production will be maintained for longer than expected, or the decline curves will be less steep than those used, for example, by the Institute of Fiscal Studies for purposes of revenue calculations.

Today it is simply too premature to write of the "last act" in the drama. By international standards, the process of exploration and exploitation has barely reached the end of the first act.

It is unfortunate that realities in the exploration and production processes of a major hydrocarbons province such as the North Sea are not being taken into account in evaluations of the macro-economic and the geo-political effects of oil and gas production. Policies based on a "last act" interpretation of the North Sea's potential are unlikely to be robust.

On the production side, the short-term forecasts, such as those in the recent Institute for Fiscal Studies' paper to which you refer, accept unthinkingly the nominal decline curves which were written into early evaluations of the fields involved.

Mr Dickson poses the question: should guarantees not be issued where security is available to obtain normal bank lending but is refused by the applicant? Such a change would strike at the very heart of the scheme as conceived in the late 1970s.

The earliest field in the province, the Crofting gas field, is now known to be 60 per cent larger than its declared size a decade ago so that its plateau production rate can continue well into the 1990s instead of already being in decline.

Had unnecessary and inappropriate government intervention in North Sea exploration and exploitation been reduced or eliminated in the late 1970s then even you, Sir, might not now have felt the need to write of the last act in the offshore drama.

Represented at Westminster

From Mr H. Rhee
Sir—You describe (Leader, February 1) as "sensible" reform an electoral "reform" bill which may (or may not) come before the British Parliament.

would leave one law for citizens of the nine and another for the citizens of the 10th.

Has any Select Committee or any one at all ever troubled to ascertain how many we are or what are our views on that? Our numbers, names and addresses are, of course, known to HM Consulates. Do all parties represented in the UK's present Parliament share the view that it is best to have no more than one house of Parliament?

From Mr M. Goodman
Sir—The proposal in the recently published White Paper on electoral reform that Britons abroad should have the right to vote in Parliamentary elections is a welcome one.

Confusion on portable pension

From Mr Christopher D. Hitchings
Sir—The advocates of portable pensions. (including yourselves) fill me with some confusion.

manance in any issue of Planned Savings. Are you not going to get the same situation except the reason why the first one gets a better pension than the second is that he chose X Life Assurance Company whereas the second chose Y Life?

Lombard High-risk loans to small business
By Tim Dickson
IS THE drive to promote and encourage to put it into the hands of small business...

The loan guarantee scheme

From the General Secretary, Association of Independent Businesses

Sir—Tim Dickson's article on the loan guarantee scheme (high-risk loans to small business, February 9, points to many interesting issues that will have to be resolved by Ministers in deciding the future of the scheme this year.

guarantees paid out. The current review, hopefully, will see the decline finally of the bugbear of a strict insurance based scheme.

I think that the assertion that the banks have been using the scheme to put out some shakier customers is most unfair and goes against most of the evidence of recent months since procedures were tightened up.

But surely Whitehall should not take fright after only three years. The benefits from the scheme will come only when the surviving companies, be they 75 per cent or 60 per cent of those backed, develop to the point where they can make a real contribution to GNP and employment.

Even a company which proves itself as maintaining an exploration programme will generate some employment and income in the economy, produce some geological knowledge and, possibly, generate an element of technological advance in exploration methods.

At the same time, Dickson is quite right about the need for on-going financial control and reporting. As a small company which itself obtained support under the scheme, we have helped others to obtain help, and in almost every instance, we have established appropriate financial monitoring systems.

Had unnecessary and inappropriate government intervention in North Sea exploration and exploitation been reduced or eliminated in the late 1970s then even you, Sir, might not now have felt the need to write of the last act in the offshore drama.

There is usually a dire need for good financial control, as well as sound, commercially based advice—which all too often is not forthcoming from the conventional sources.

From Mr R. Harvey
Sir—I agree entirely with the value of the loan guarantee scheme to the community, even allowing for the grey areas mentioned in the Lombard column of February 9.

Those failures which have occurred within the scheme must be seen as highlighting the existing problem—the quality and operation of financial controls in so many small businesses. Proper financial monitoring is absolutely essential in this type of situation.

From the Director, Personnel and Corporate Development, Trebor
Sir—It happened that Michael Manser's letter (January 31) on "coping with the shock of the new" in architecture appeared the day before my company received the RIBA 1983 award.

ment team, we now wrote down a list of criteria on which our final selection would be based. Several senior colleagues and I then met the short-listed architects. The typical reaction to the criteria list when it was presented at the outset of each meeting was of great surprise—as though this was most unusual.

Having gone through the stage of clarifying our needs and aspirations as a management team, we now wrote down a list of criteria on which our final selection would be based.

Robert Holmes à Court

A new strategy emerges

By Michael Thompson-Noel in Melbourne



MR ROBERT HOLMES À COURT, chairman of Australia's Bell Group, was in Melbourne last week, a city he enjoys visiting "because half my children are at school here (at Geelong Grammar), and because half my racehorses are stabled in Victoria."

However, racehorses are mere baubles when set against the range of business forays that Bell Group currently has in train. In London, Mr Holmes à Court is presently mounting a change at Fleet Holdings, publisher of the Daily and Sunday Express, of which he holds more than 9 per cent.

Will he launch a full-scale bid for Fleet? It is impossible to say, for the Holmes à Court trademark is maximum flexibility—the maintenance of as many options as possible, each buttressed by a range of fall-back positions, and each constantly re-estimated (often every hour).

But the current play in Fleet Holdings is overshadowed by a much bigger Holmes à Court manoeuvre in Australia, where in recent months he has made a determined move into natural resources.

His new strategy moved into top gear two weeks ago when Bell snatched a controlling 46 per cent stake in the Bermudian-based oil group, Weeks Petroleum, which in turn controls 51 per cent of Weeks Australia. The latter has a 10.31 per cent stake in the important Jabiru oil strike in the Timor sea, off Northern Australia.

It is clear that Mr Holmes à Court is now launched on a phase of expansion which will dwarf his \$478m acquisition, in March 1982, of the UK-based Associated Communications Corporation empire formerly run by Lord Grade. (ACC's profit level, he says, has now been restored to "a rate better than in its historical heyday.")

Although a hero to his shareholders (he is regularly cheered at Bell Group annual meetings), Mr Holmes à Court is as far removed from the stereotypical Australian resource group from General Electric of the U.S. The two new consortia own 1.82bn tonnes of rich Queensland coking coal.

Mr Holmes à Court also revealed last week that Bell Resources had recently increased its shareholding in Western Australia.

in Melbourne last autumn, a shareholder proposed that Mr Holmes à Court be appointed BHP's chief executive at an annual salary of \$11m. The suggestion was frostily rejected.

At present, the BHP shareholders who accepted Wigmore's original offer are well in front. There is now speculation that Mr Holmes à Court will launch a second, much more credible move on BHP later this year.

In his Melbourne office last week, Mr Holmes à Court's eyes narrowed gleefully at the thought of the chase. He dresses like a banker—grey suit, white shirt, slim tie. Often one has to strain forward to hear what he says.

When he made the first bid for BHP shares, he said carefully, "we had a clear vision of what step two might be. Step one established a benchmark. There may be a step two, if there is. I know precisely what form it will take."

Why has he chosen this moment to move into resources? He says that formerly there was little opportunity for good investment. "Since the 1960s, entry into Australian natural resources investment was available only at unattractive prices, because of Australians' belief—a cargo cult belief, really—of an impending resources boom."

However, after the 1983 recession, there was quite an adjustment of perspectives. Utah, for example, is unique. It is a very superior group of mines. I can't point to a better opportunity over the last 20 years to buy into, at far lower than development cost, a project that is up and running.

"I'm not trying to pick the cycles. My eye is on the product." Mr Holmes à Court is taken a great deal more seriously in Australia than he is in London, where he is still remembered for his outlandish sally at Rolls-Royce Motors in 1980 and for the messy takeover of ACC which involved him in a sharp run in with the City Takeover Panel.

Whereas in Australia he is regarded as a budding international entrepreneur, his London image is that of an adroit share trader capable of pulling off the occasional big coup.

Future developments at Fleet Holdings may show which picture is more accurate.

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ITALY'S BIGGEST UNION REJECTS COUNTER-INFLATION MEASURE

Craxi faces wage policy revolt

BY JAMES BUXTON IN ROME

SIG BETTINO CRAXI, the Italian Prime Minister, today faces a serious but indirect challenge to his Government from the opposition Communist Party, whose members in the leadership of the CGIL union yesterday voted to reject the Government's proposals on reducing wage indexation.

This evening Sig Craxi is due to meet unions and employers for what would be the final meeting on proposals which he put to them at the weekend. Unless he can in the meantime persuade the CGIL to change its position, he faces the difficult decision of whether or not to sign an agreement with the other two unions without the CGIL.

Both the Christian Democrat oriented CISL and the pro-Socialist UIL unions are broadly in favour of an agreement, as is Confindustria, the employers association. But an agreement to which the CGIL - the largest single union - was not party could be a risky undertaking for the Government and could provoke trouble on the shop floor.

Last night it was not clear whether the other two unions would sign an agreement without the CGIL, though Sig Giorgio Benvenuto, leader of the UIL, said he would rule it out. There is also doubt over whether such an agreement would be legally binding on CGIL members.

Sig Craxi involved himself personally in the talks, which have been going on for nearly two months, at the weekend in meetings at Palazzo Chigi, the Prime Minister's office. He outlined the Government's detailed plans for a comprehensive incomes policy for this year which aims to get inflation down to an average of 10 per cent, compared with the present rate of 12 per cent and last year's average of 15 per cent.

The proposals include limits on rises in state-controlled prices, a one-year rent freeze, reductions in interest rates, and special help for industrial areas in crisis.

But the crucial issue is the *scala mobile*, for which the Government

is proposing to allow only a preset number of points on the index which triggers quarterly pay increases in compensation for inflation. It also proposes removing from the cost of living index the effect on prices of rises in the dollar against the lira.

This should have the effect of slowing down price rises, the Government believes. If the target of 10 per cent were exceeded wage earners would be compensated in 1985 in the form of income tax reductions.

The proposals received cautious approval from the other unions and Confindustria, but with the CGIL opposed Sig Craxi gave the unions 48 hours to reach a common position. The deadline expires tonight.

For days it has been clear that the CGIL itself, is badly split between its Communist majority - headed by Sig Lucio Eufeliano Lama, its veteran leader - and its socialist minority, led by Sig Ottaviano Del Turco, the unions deputy leader. The main point at issue is

the proposed reduction in the working of the *scala mobile*, which the Communists reject.

Yesterday the Communist majority overruled the Socialists in rejecting the Government's proposals.

Although the Communists in the union have in the past not always followed the letter the dictates of the Communist Party it is evident that their present intransigence is part of the policy of Sig Enrico Berlinguer, the Communist Party leader, to put up strong opposition to the Socialist-led Government.

An agreement on an incomes policy including reduced indexation would be a major political success for Sig Craxi, which is a major reason why the Communist Party is determined to try to block it.

If the Government, employers and other unions signed an agreement without the CGIL, there would probably be a battle in the factories for the support of the CGIL members which could cause serious industrial disruption.

Stoltenberg

praises stability achieved by EMS

By Jonathan Carr in Frankfurt

DR GERHARD STOLTENBERG, the West German Finance Minister, last night highly praised the exchange rate stability achieved by the European Monetary System (EMS), which began operation five years ago next month.

Although there had been parity changes in the EMS on seven occasions, Dr Stoltenberg noted in Frankfurt, excessive currency fluctuations such as that of the U.S. dollar had been avoided.

The EMS had also helped head off the danger of competitive currency devaluation and had encouraged salutary domestic economic policy steps to be taken by the member states, he said.

"We should not underestimate this success, since the member states are able to carry on between 40 to 50 per cent of their foreign trade on the basis of relatively stable exchange rates," Dr Stoltenberg said.

He was speaking at a dinner attended by about 100 senior businessmen, politicians and diplomats and organised by the Financial Times to mark a fifth anniversary of its own. In January 1979, the FT first began printing its International Edition in Frankfurt.

While praising Europe's efforts to achieve monetary integration, Dr Stoltenberg also poured scorn on the idea that European currencies might be artificially "de-coupled" from the erratic dollar.

Those who suggested this, the minister said, were usually pleading for introduction of capital controls - "something which is absolutely out of the question as far as we are concerned."

It was inconceivable that the D-Mark, the world's second reserve asset after the dollar, should be turned into a "mouse-trap currency" (i.e. one into which investors could clamour but from which they could not escape).

The challenges posed by the dollar, Dr Stoltenberg stressed, could only be answered by effective domestic economic policies which encouraged confidence in the currencies of the countries concerned.

"Maybe it will take some time before the inner strength of the D-Mark is suitably honoured by the currency markets," the minister said, "but that does not change my view that that moment will surely come."

Turning to other European Community issues, Dr Stoltenberg underlined that the EEC stood at "a critical turning point" following the failed Athens summit conference in December.

He made clear that Bonn had not served from its view that extra funds could be voted for the Community only if there were first reform of EEC budget and farm policy.

THE LEX COLUMN

Taking stock by the minute

The new FTSE Index - "footsy" to its friends - answers an obvious need for a market measurement which is both comprehensive and up-to-the-minute. The impetus for the index has come primarily from the traded options and futures markets but it should gain a following in the equity cash market as well.

For a while at least, the co-existence of the FTSE and the FT 30-Share Index may give rise to some confusion. Yesterday, thanks to several dividend adjustments, the FTSE was pointing in the opposite direction to the 30-Share. A proliferation of indices in the U.S., however, has failed to undermine the position of the Dow Jones industrial average and there must certainly be room for more indices in the UK.

The FTSE provides the London futures market with an excellent opportunity to extend its product range. A contract based on the S & P 500 caught on like wildfire in Chicago and, while Liffe cannot hope to emulate the U.S. example, it could easily reach a volume of around 2,000 contracts daily, enough for a reasonably liquid market. The contract will be attractive to jobbers seeking to hedge their books against a sudden bull or bear run, while the expected link with Chicago should provide speculative interest.

Moreover, so long as it abandons the curious idea of a deliverable contract, Liffe should encounter no tax problems with the new instrument. The traded options market, by contrast, has to obtain exemption from gaming legislation, gain a competitive advantage over the Ladbroke Index and others, and tempt some of the big players away from the futures contract. But nothing ventured, nothing gained.

used to be. The 73 per cent rise in interim pre-tax profits, to £31.3m, is only partly due to comparison with a poor first half last year, and to the benefits of acquisition. Yesterday's 10p rise in the share price, to 456p, is primarily a response to the sense of logic which Dalgety is imposing on its previously rambling empire.

After the disposal of 540m-plus of its U.S. frozen vegetable business - shortly to be announced - Dalgety will have whittled its operations down to areas which have either inherent growth potential, or at least good cash flow. Thereafter, the game-plan envisages an acquisition on the U.S., within the areas of food or agriculture.

All the same, the only substantial growth area in the UK is pet food, where Mars provides truly formidable competition. And although Martin-Brower in the U.S. is still going strong, the Canadian lumber business will always be subject to the cyclical nature of the U.S. housing market, just as the farm business will be at the mercy of the weather.

On full year pre-tax of £63m, the actual tax p/e would be about 3, and the yield about 7.5 per cent. This seems to allow for the fact that beyond a two year view, growth relies largely on unspecified plans in the U.S.

£21.3m, also include a gain of £0.9m on the investment account which has produced £7.2m on cash and investment of £31.5m. Contrary to the appearance of the abridged balance sheet - which carries no explanation of an accounting change apparently dispensing with leased assets - Nottingham has not given up its leasing business and the £91.5m includes leased assets with a net worth approaching £20m. But the 7.9 per cent yield on the whole account anyway compares with 7.1 per cent in 1982, so the financial management has been less casual than the accountants' presentation.

Some of this cash might yet be spent on another acquisition while organic growth is closely linked to higher export sales. At 22p, the shares yield 4.1 per cent and stand at an undemanding multiple of 9 1/2 to earnings taxed at 20 per cent.

London

launches real time index

By John Moore in London

A NEW INDEX, based on minute-by-minute share price movements of 100 leading companies listed on the London Stock Exchange, was launched yesterday.

The indicator, which is expected to be known as the FTSE index once details have been finalised between the Financial Times and the Stock Exchange, in its first day of formal operation showed a rise of 0.3 at 1018.3. The FT Industrial Ordinary index, the barometer of 30 leading shares, fell 2.4 to 803.

Sir Nicholas Goodison, Chairman of the Stock Exchange, said that the new index had come into being "because both the futures and traded options markets wanted an index on which to deal."

A new traded options contract based on the index is to be introduced in early May. The London International Financial Futures Exchange is to introduce an equity index futures contract based on the index as soon as it has clarified stamp duty complexities surrounding its proposed new contract.

Mr Jeffrey Knight, chief executive of the stock exchange, said yesterday: "We are expecting that the index will be called the 'FTSE' index. We have been talking to the FT for some time. We recognise the value of having the FT associated with the new index."

Mr Richard McClean, deputy chief executive of the Financial Times, said that there was "no question of the FT 30-share index disappearing" following the creation of the new, more broadly based 100-share index.

The largest 100 companies measured by their market valuation are included in the new index. In the full listing of the original 100 companies there are 69 industrial groups, five oil companies, 21 financial companies, two investment trusts, two mining finance companies and one overseas trader.

The index, which has been functioning prior to the launch since January 3, uses a base of 1,000 to allow whole number changes every day and facilitate trading of futures and options contracts linked to the new indicator.

In the preparation of the index, stock exchange staff for four the market floor for prices which are fed into the stock exchange's Epic computer system. The Epic system recalculates the 100 share index each minute based on changes in the prices of the constituent stocks.

A steering committee will monitor the functioning of the new index. Representatives from the main users of the market, such as the insurance companies, the unit trusts, the pension funds and investment trusts have places.

Peugeot takes softer approach

on redundancies at Citroën

By Paul Betts in Paris

THE PEUGEOT group has decided to adopt a "soft" approach to its job reduction plan for its large Citroën subsidiary, in contrast to the hard line taken on the same problem at its Peugeot and Talbot divisions.

The private French car maker announced to the Citroën central works committee yesterday that it would ask 3,500 of Citroën's 45,000 workers to consider early retirement. Citroën is also asking immigrant workers who wish to return home to take advantage of new repatriation incentives.

The French Government is drawing up measures to encourage immigrant workers in the car industry to return home.

The state-owned Renault car group has also announced plans to work out suitable incentives to help immigrants, who form a large portion of the workforce in the Paris-area car plants, to repatriate.

Citroën has warned that unless it can reduce its workforce, viability will be threatened in three years' time. It has decided to adopt a

stage-by-stage approach to job reductions and will decide what further measures to take after all early-retirement possibilities have been exhausted.

The Peugeot group does not want to repeat with Citroën the trouble caused last year by heavy job reduction plans at its Peugeot and Talbot car divisions involving more than 7,000 workers. Those led to a bitter labour dispute ending in violent clashes at Talbot's Poissy car plant outside Paris.

In a further effort to support modernisation of the French automobile industry, the Government has agreed to help finance a Renault project to design and build a fuel-efficient car.

The Government will advance Renault FF 750m (US\$88.8m) in low interest loans for the project, to be made available by the recently established French industrial modernisation fund.

Peugeot is also expected shortly to receive low-interest loans from

that special state fund, although the amount will be less than that for Renault.

Modernisation of the French car industry has become one of the priorities of the Government's recently announced industrial reconstruction programme. The programme has been launched at a time of difficulty for the domestic car industry, which suffered a slump last month.

Provisional figures released by the French Car Manufacturers' Association yesterday show a 9.1 per cent fall in French car registrations last month compared with January 1983. The sharp decline in registrations reflects the slump in Talbot car sales due to the prolonged labour dispute at its Poissy plant.

The January decline in registrations also appears to confirm fears by domestic car producers that 1984 will be a tough year for the French market. After a strong 1983, with more than 2m registrations, car industry officials fear that registrations might decline to as much as 1.8m cars this year.

FTC approves

Texaco bid for Getty Oil

Continued from Page 1

Mr Pertschuk warned that the FTC decision "effectively invites the major oil companies to race to acquire reserve-rich middle-tier firms." He said that such a rush would threaten the continued viability of the independent sector of the industry and thus the discipline of price competition for the majors.

He said competition was endangered particularly by the requirement for Texaco to supply Getty customers in California at fixed prices. This agreement is to last five years.

Since Texaco first announced its surprise bid for Getty early last month, U.S. oil shares have soared despite a near 100-point decline in the Dow Jones industrial average. Investors believe many major oil companies are coming round to the view that it is cheaper to "find oil on Wall Street than in the ground" by purchasing the undervalued assets of other oil companies.

Gulf Oil has risen by nearly a third, Phillips Petroleum is up 15 per cent and even Texaco itself is up by nearly 15 per cent as investors have noted the steady acquisition of shares by the wealthy Bass family from Texas. They have spent close to \$1bn acquiring a 9.8 per cent stake.

Texaco will dispose of several Getty operations to meet FTC requirements. It had already announced the planned sale of Getty's marketing activities in the north-eastern part of the U.S. In addition, it is to sell Getty's oil refinery at El Dorado, Kansas.

Buenos Aires in move to end Falklands deadlock

By Jimmy Burns in Buenos Aires

ARGENTINA is prepared to drop its insistence that the issue of sovereignty must form part of an initial round of conversations with Britain over the future of the Falklands.

This concession to break the diplomatic deadlock is expected to be made public this week when President Raul Alfonsín makes a nationwide broadcast, according to high level government officials. The broadcast was planned for the end of last week but was postponed at the last minute because of the death of Mr Yuri Andropov, the Soviet leader.

While attending the inauguration of Venezuelan President Jaime Lusinchi in Caracas earlier this month, President Alfonsín proposed that the United Nations (UN) should act both as an intermediary to establish a dialogue and as a possible guarantor of security on the Falklands by sending troops there.

Sr Alfonsín's forthcoming message is expected to be more conciliatory. He is expected to drop pre-conditions that the first round of conversations with Britain - as opposed to negotiations - be necessarily under the auspices of UN resolutions approved in 1985 and 1982. These urged both nations to negotiate their dispute over the islands. Britain has refused to be bound by these resolutions.

Senior government officials in Buenos Aires indicated yesterday that Sr Alfonsín's remarks in Caracas were a spontaneous personal initiative aimed at demonstrating his Government's commitment to non-belligerence and in no way represented the final word on the dispute.

His proposals were rejected by the British Government. A statement from Sir Geoffrey Howe, the UK Foreign Secretary, said that

Britain preferred to deal through established channels of Switzerland and Brazil - looking after the UK and Argentina's interests respectively. Britain also said that it was still awaiting a reply to "specific proposals" put forward for the normalisation of relations.

Sr Alfonsín's forthcoming statement is understood to be the fruit of more than a week's intensive consultations by the President with close aides and Foreign Ministry officials. Furthermore, it will seek to answer the proposals put forward by Britain through the Swiss.

Argentine insistence on including sovereignty at the earliest stage of conversations has been a major stumbling block until now. Nevertheless, Argentina still is insisting that it will only put a formal end to the state of hostilities and re-establish normal commercial and diplomatic ties with Britain as part of a wider agreement between the two sides.

This should include the lifting by Britain of its 150-mile protection zone around the islands, a halt to its military fortifications and an understanding that Argentina's claim to the Falklands would be considered at a later stage of negotiations.



Sr Raul Alfonsín

Kitchenware group in buyout plan

By William Dawkins in London

PRESTIGE GROUP, the British maker and distributor of kitchenware, yesterday confirmed that it was planning to buy the company from its U.S. parent, American Home Products (AHP).

A consortium of institutions and management is talking to Barclays Merchant Bank and stockbrokers Phillips and Drew with a view to making an offer for all of the equity, 73 per cent of which is owned by AHP.

At yesterday's price of 260p, up 15p, Prestige has a stock market value of £47.3m (\$66.6m). AHP said the terms suggested by the group were not acceptable and it had been in discussion with other buyers. The U.S. group added that it could give no assurance that it would dispose of its interest in Prestige soon.

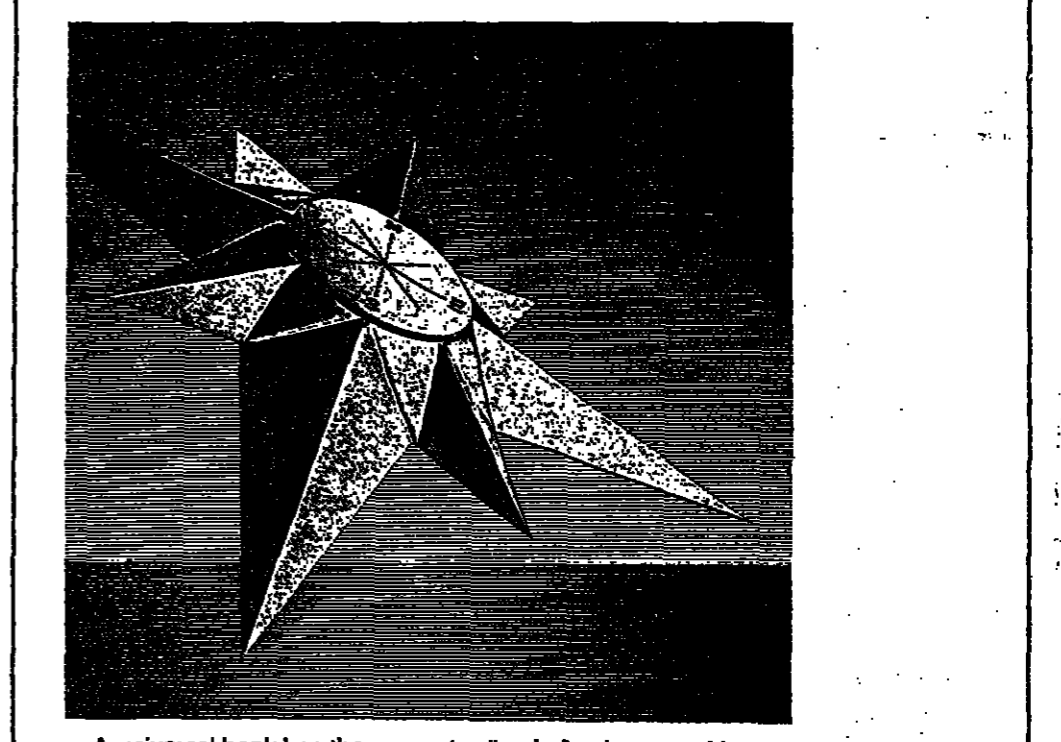
U.S. would welcome talks in Moscow

Continued from Page 1

ern diplomats since Mr Andropov disappeared from the public eye last August - that the Soviet leadership would decide on a temporary solution and that it might be years yet before a stable and predictable leadership was in place.

"After the insubstantial intermezzo with Andropov, the Soviet leadership must realise it cannot again afford a policy of transition," Sir Riffe said. But he pointed out that once again a politician "of advanced age" had been named as top man.

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Bombay	28	15	100	1012	85
Buenos Aires	15	15	100	1015	85
Calcutta	28	15	100	1012	85
Cardiff	10	15	100	1015	85
Chicago	10	15	100	1015	85
Colon	28	15	100	1012	85
Hong Kong	28	15	100	1012	85
London	10	15	100	1015	85
Lyons	10	15	100	1015	85
Manila	28	15	100	1012	85
Mumbai	28	15	100	1012	85
New York	10	15	100	1015	85
Osaka	10	15	100	1015	85
Paris	10	15	100	1015	85
San Francisco	10	15	100	1015	85
Singapore	28	15	100	1012	85
Tokyo	10	15	100	1015	85
Washington	10	15	100	1015	85

Ford sees \$1.8bn profit

Continued from Page 1

ern costs associated with new model introductions, and higher marketing expenditure in Europe. Nevertheless, factory sales overseas rose by 3 per cent during the year to 2.3m units, generating sales of \$1.6bn.

In the domestic market, Ford's market share rose from 16.9 per cent to 17.2 per cent, and the company swung from a net loss of

Continued from Page 1

\$1.1bn to \$1.5bn. Unit sales rose by 28 per cent to 2.89m vehicles, while turnover amounted to \$28.4bn.

Ford said that it had not been able to recoup all of its material and labour cost increases in higher vehicle prices, but added that its results reflected higher volumes, a more profitable sales mix and its increased market share.

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday February 14 1984

DOUGLAS CONSTRUCTION - the way ahead 021-356 4888

RTS GROUP TRACTOR-TRAILER SYSTEMS - RO-RO FLATS - CONTAINERS SERVING SHIPS, PORTS, INDUSTRY

RSV given control of unsold coal excavators

By Walter Ellis in Amsterdam

THE DESIGNER of a coal excavator which helped to bring about the collapse of the Dutch shipping group, RSV, has been ordered to surrender control of the project to RSV receivers.

Mr Reis Hengstenberg, a Dutch businessman, has described as "unbelievable" last Friday's decision by a Hague district court judge that the disposal of excavators already built - and valued at about F1 270m (\$88m) - should be a matter for the receivers only.

Mr Hengstenberg has had to inform his associates in the U.S. where most of the excavators are stored, that the machines are now the legal responsibility of RSV. He now sees little chance of recouping any of the millions of guilders he put into the project.

RSV was declared bankrupt last year, with a loss of 8,000 jobs, largely as a result of management failure. Mr Allard Sukker, the former chairman, resigned, and a parliamentary commission of inquiry is now seeking to determine exactly what went wrong - only the second such inquiry in the Netherlands this century.

Mr Hengstenberg has always contended that his invention would have been a considerable commercial success but for RSV's sales strategy in the U.S. Only four of the machines are now operating, while another 30 are in storage.

RSV had originally used Mr James Stacy to sell the excavators in America but had to apply to the courts to win back custody when it became apparent that he was accepting large fees but making few sales.

It is now widely accepted that the machines are technologically advanced and that sales strategy has been the weak point. RSV belatedly sought to save the project by pumping millions of dollars intended for the construction of two Taiwanese submarines.

This ploy, however, only served to compound the group's financial crisis.

Coca-Cola buoyant as each division advances

BY PAUL TAYLOR IN NEW YORK

COCA-COLA, the world's largest soft drinks company, and owner of Columbia Pictures, yesterday reported higher fourth-quarter earnings and an 11 per cent increase in full-year earnings from continuing operations. This reflects a 7 per cent increase in U.S. soft drink retail volume and the strong performance of Columbia Pictures, which contributed \$91m in operating profit for the year.

The group said it achieved "substantially higher earnings in each of its business sectors, despite the strength of the U.S. dollar which was one factor leading to reduced sales in Latin America. The company also noted that while it expected "good increases" in net income this year, the strength of the dollar would "continue to restrain reported dollar earnings growth."

In the latest quarter Coca-Cola reported a 6 per cent increase in net earnings from continuing operations which grew to 120.3m from \$113.5m in the 1982 fourth quarter.

In the fourth quarter \$4.20m in income from discontinued operations made a final net of \$124.6m or 91 cents a share compared with \$121.33m or 81 cents a share in the same 1982 quarter when income from discontinued operations totalled \$7.785m. Revenues increased by 9.1 per cent to \$1.73bn from \$1.59bn.

The latest results lifted Coca-Cola's net earnings from continuing operations in 1983 to \$558.3m, compared with \$502.98m in the previous year. Income from discontinued operations produced final net earnings last year of \$55.8m or \$4.10 a share, compared with \$51.2m or \$3.95 a share in 1982 on revenues which increased by 13.4 per cent to \$6.89bn from \$6.02bn.

The company said virtually all major soft drink operations achieved increases in unit volume, market share and profits last year, while the foods division posted significant increases in earnings and market share and the entertainment business achieved "excellent results in Columbia Pictures' first full year as part of the Coca-Cola Company".

Mr Roberto Goizueta, chairman and chief executive, said he was "particularly pleased" with the gain in U.S. soft drink volume "an achievement which enhances our leadership in the soft drink industry".

The company said its combined U.S. operations - soft drinks, foods and entertainment - managed to increase operating income by 24 per cent last year and accounted for 60 per cent of total revenues.



Dr Manfred Meier-Preschany

Dresdner key man resigns

By John Davies in Frankfurt

DR MANFRED Meier-Preschany, one of the most controversial and colourful figures in West German banking, is to leave the management board of Dresdner Bank, the country's second largest bank.

Dr Meier-Preschany's 30-year banking career has been spent entirely with the Dresdner Bank, where he has been a management board member for 13 years.

A highly extrovert personality, the 55-year-old Dr Meier-Preschany has become well-known in both West German and international banking circles. He has been responsible on the Dresdner board for North and South America and was involved in putting together the bank consortium to save the AEG electrical concern from bankruptcy.

The Dresdner Bank said yesterday that Dr Meier-Preschany would ask the bank's supervisory board at its meeting on April 3 to release him from his management board role.

At the same meeting, the supervisory board will decide Dresdner's dividend for last year.

Production gains boost Norsk Hydro earnings

BY FAY GJESTER IN OSLO

NORSK HYDRO, Norway's largest industrial concern, sharply increased after-tax profits last year, mainly due to a better performance by the group's land-based activities, especially fertilisers, aluminium and petrochemicals.

Preliminary figures put profit after tax, but before end-year adjustments, at about Nkr 1,150m (\$149.3m), compared with Nkr 794m in 1982. Provision for taxes was calculated at approximately Nkr 1.6bn (Nkr 560m). The 1983 tax provision includes a supplementary provision of about Nkr 130m relating to 1982.

Turnover rose 45 per cent to Nkr 29bn. A large part of the increase reflected the acquisition late in 1982

of companies in Denmark and the UK.

Mr Odd Narud, group president, said oil and gas again had made the largest single contribution to profits, although figures for agricultural products had also been satisfactory. The international economy had improved during 1983, particularly in the second half of the year.

This had led to increased demand and higher prices for most of the company's products. At the same time, Hydro had increased productivity in most of its major land-based activities, with particularly marked success in the aluminium and petrochemical sectors.

Both these areas were now in

profit, and Hydro had emerged "as a stronger company, from the difficulties we have been experiencing during the past two years."

The new, favourable trend should mean that in coming years there would be a better balance between earnings from land-based activities and those from oil and gas, Mr Narud added.

Group operating profits reached an estimated Nkr 4bn compared with Nkr 2.67bn in 1982. By sector, they were as follows: petroleum Nkr 2.8bn (Nkr 2.61bn), agricultural Nkr 750m (Nkr 399m), aluminium Nkr 250m (Nkr 10m), petrochemicals Nkr 150m (minus Nkr 248m).

Zanussi to concentrate on appliance sector

BY CARLA RAPOPORT IN LONDON

ZANUSSI, one of Europe's leading home appliance manufacturers, recorded a sharp increase in sales last year despite a flat demand for home appliances generally.

The Italian group sold 4m appliances, a 12 per cent improvement on 1982 and the best sales performance since 1976. Sales improved by 15 per cent to L1,800bn (\$1.1bn) from L1,560bn in 1982.

The sales improvement is particularly welcome for Zanussi, which has encountered serious financial difficulties in the past year because of the troubles of its electronic subsidiaries. In 1982, the group lost L1,300bn, and last year announced a programme aimed at recapitalising the company and reducing its debt.

According to Professor G.B. Bozzola, a member of Zanussi's executive committee, the group will shortly spin off its electronics subsidiaries. Under the reorganisation, Industrie Zanussi will become

a holding company for Zanussi Domestic Appliances. This group will concentrate solely on home appliances, catering appliances and components manufacture.

Prof Bozzola stressed that Zanussi's home appliance operations had been operating in the black despite the company's troubles. "Zanussi Domestic Appliances has been a good father earning lots of money, but one or two of his sons have been wayward. So, like a good father, he is kicking them out of the house and letting them get on with business on their own," he said.

The divestiture ties into a government-led initiative to rationalise Italy's consumer electronics sector. The programme, which will cost L250bn, is expected to be completed this year.

Zanussi still has more than L800bn in debt, more than four times the value of its equity base plus reserves.

L'Oreal sees 1983 profits over FFr 1bn

By David Marsh

L'OREAL, the internationally diversified French hair products and cosmetics group, expects pre-tax profits last year to have risen to around FFr 1.2bn (\$142m) from FFr 978m in 1982, on sales up 24 per cent to FFr 13.5bn.

The group, which makes more than 50 per cent of its sales outside France and is the world's leading producer of shampoos and hair lotions, said the increase in turnover on the basis of comparable group composition and before exchange rate changes was about 17 per cent.

Full profits figures have not yet been calculated. L'oreal's 1983 net profit was FFr 550m, and the group has already announced FFr 314m of net profits in the first half of last year.

The group has been making efforts to expand its pharmaceutical and health care business.

Saint Gobain surges out of red after strong overseas results

BY DAVID MARSH IN PARIS

SAINT GOBAIN, the diversified French glass and steel pipe manufacturer taken into state ownership two years ago, made a net profit of about FFr 250m (\$29.5m) last year after losses, swollen by exceptional factors, of FFr 562m in 1982.

The group, which expanded its turnover to FFr 37.4bn last year, up 12 per cent from 1982, made a net industrial profit - before exceptional losses resulting from withdrawal from the information technology business - of FFr 400m, well up from FFr 257m in 1982. The improved results owed much to international activities.

The company has made extensive efforts in recent months to diversify out of traditional manufacturing by buying stakes in companies in the public works and water distribution businesses.

Last year's clear improvement

follows a series of indications of a better performance from heavy loss-making industrialised groups nationalised in 1982. Computer group Bull and aluminium concern Pechiney have both confirmed a sharp reduction of 1982 losses. Thomson, the loss-plagued electronics group, and Rhone-Poulenc, the state chemicals company, have also profited from extensive restructuring to reduce their 1982 deficits.

Saint Gobain said its spread of activities, both by geography and by products, enabled it to weather 1983 despite difficulties encountered in important sectors. Heavy losses persisted in its French insurance, engineering, wood and fibres businesses.

By contrast, its packaging business made "very good" results, while activity was "satisfactory" in flat glass and held up in spite of

economic difficulties in plant construction. Results in the pipes division, however, fell significantly.

Out of overall group turnover, 50 per cent represented sales in France with 18 per cent in West Germany, 15 per cent in the U.S. and 19 per cent elsewhere.

Exports from France fell to FFr 8.1bn from FFr 8.4bn in 1982, while foreign sales were boosted by exceptional deliveries to Iraq.

Overall net profit of the group, before making allowance for minority interests and exceptional factors, rose last year to FFr 740m from FFr 521m (restated after accounting changes).

Cash devoted to self-financing last year rose to FFr 2.9bn from the 1982 published figure of FFr 2.7bn (FFr 2.5bn after correction).

Investments last year rose to FFr 4.5bn from FFr 3.85bn.

New issue for Finnish bank

By Lance Keyworth in Helsinki

UNION Bank of Finland, one of the country's two big commercial banks, is to double its share capital from FM 1bn to FM 2bn (\$340m) with a new share issue.

A novel feature of the issue is that about \$40m of it will be offered to foreign investors, the first time a Finnish bank has done this.

Mr Mika Tiivola, chairman, says the bank is increasing its share capital to match strong expansion of both domestic and international operations. It recently applied for permission to open a branch office in London.

Pirelli Brazil sees decline

By Andrew Whitley in Rio de Janeiro

PIRELLI Brasiliara, a subsidiary of the major Italian company and the leading tyre and cable manufacturer in Brazil, saw its profits decline by over 50 per cent in 1983, to the equivalent of \$38.6m.

Profits deteriorated during the second half of 1983 to finish the year at Cr 23.7bn, down from Cr 15.3bn.

Spanish banks study Banco Atlantico bids

BY DAVID WHITE IN MADRID

FOUR SPANISH banks are studying possible bids for Banco Atlantico, the largest and most prestigious of the banking interests taken over by the Government last year in its expropriation of the Rumasa group.

The banks have until mid-March to present their offers to the Deposit Guarantee Fund, the semi-state bank rescue body which acts as administrator for Atlantico and the other 19 Rumasa banks.

They are Banco de Bilbao, Banco de Vizcaya, the state-controlled

Banco Exterior de España, and Banco Arabe Español (Aresbank), in which the majority is jointly held by Libyan and Kuwaiti interests.

Other major Spanish banks, however, declined initial approaches from the fund, including Banco de Santander, which was earlier expected to be a prime contender in conjunction with a group of minority shareholders of Atlantico.

The Barcelona-based Banco Atlantico has assets of about Pta 270bn (\$1.7bn).

Setback for Swedish medical group

By David Brown in Stockholm

GAMBRO, Sweden's fast-growing maker of kidney dialysis equipment, has reduced its 1983 forecast of pre-tax profits by between SKr 10m and SKr 15m from the original SKr 170m (\$21m) estimate because of problems in the start-up of a new dialyser product line, Lundia 10.

Production is now proceeding according to schedule, says Gambro, which increased pre-tax profits for the first eight months ending August by 36 per cent to SKr 107m. It has also received approval from the U.S. Food and Drug Administration (FDA) to market equipment for on-line haemofiltration in America.

The group claims a 20 per cent world market share in kidney dialysis equipment. The new haemofiltration equipment, said to reduce the time and cost of treatment, will be marketed in large quantities at the start of next year. Gambro estimates there are about 700,000 dialysis patients in the U.S.

Gambro also recently signed a distribution agreement with the American firm, Sterile Design of Clearwater, Florida, for its heart-lung equipment.

HUNGARY'S LIGHT BULB COMPANY PLANS COST CUTS AND RETRENCHMENT

Irish closure dims Tungram prospects

BY DAVID BUCHAN, EAST EUROPE CORRESPONDENT, IN LONDON

IMMEDIATE prospects for Tunggram, the Hungarian light bulb company which is Comecon's only multinational manufacturer, have been dimmed by the closure this year of its Irish subsidiary in Cork, after only a year of full operation and a total loss of more than \$7m.

The Budapest-based management is confident, however, that with financial and labour retrenchment at home in Hungary and with maintenance of successful ventures in the U.S. and Austria, the future is reasonably bright.

Even in the UK, which was supplied for a brief time by the ill-fated Cork plant, Tunggram claims that its share of the general light bulb market has dipped only slightly below the 1982 peak of 8.2 per cent. Its hold on a quarter of the UK car light bulb market remains unaffected by events in Ireland.

The new Tunggram sweepstake - the product of a clean sweep of the top jobs a year ago - is very frank about shortcomings in company policy before 1983. Mr Bela

Band, picked as Tunggram's commercial managing director last year from his old job at the Orion television enterprise, says over-ambitious expansion was the main reason why Tunggram went "bankrupt" with a loss of forints 500m (\$10.75m) in 1982.

He explains that the former management were convinced that world demand in the late 1970s justified a 50 per cent expansion of production and of the workforce.

How this growth strategy came unstuck as market conditions changed was illustrated by Tunggram's Irish venture. An oversize factory at Cork, strike-related supply difficulties in Ireland and continued recession in the more important UK market wiped out the initial tax advantages offered by the Irish authorities.

The venture started out as being joint Hungarian-Irish, but under an agreement that the Hungarian side would buy any shares offered for sale by the Irish investors it was, by

last month, purely Hungarian. Tunggram is now in the process of paying off the £2.3m (\$3.6m) owed to its main creditor, the Allied Irish Bank.

Tunggram prefers for the moment not to contemplate any new foreign ventures, says Mr Band. Its most profitable market at present is the U.S., served by the Tunggram joint venture with Action Industries of Pittsburgh. The 49 per cent Hungarian share in the New Jersey-based company, Action Tunggram, has particularly benefited its Budapest parent because of the current strength of the U.S. dollar.

Tunggram has a majority share in its manufacturing venture in Austria, which is performing satisfactorily, according to Mr Band. Tunggram's priority now is to concentrate on Europe. "This is our natural market, but competition here has become almost unacceptable," Mr Band says.

Tunggram has sought to meet this competition by putting itself on a sounder financial footing with some state money. By writing-off old debt, its Hungarian workforce will be pruned from 25,000 at the start of last year to around 23,000 by the end of this year. Tunggram rid itself of some heavy research and development costs by selling a micro-electronics subsidiary last year.

It is also trying to upgrade its range of products, concentrating particularly on energy-saving lighting and on sales of production equipment and expertise.

It will be some time before Tunggram again ventures into establishing another West European manufacturing base. But British light makers, unhappy at the prospect of Tunggram setting up shop so close to home in Ireland, may be well advised not to breathe too deep a sigh of relief at the failure of the Cork venture.

Tunggram executives have made it clear they intend keeping and possibly enlarging their UK market share with deliveries direct from Hungary.

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INTL. COMPANIES & FINANCE

Securities groups seek UK bank licences

By David Lascelles in Tokyo

A LONG-RUNNING tussle between the UK and Japanese banking authorities over the desire of Japanese securities companies to open banks in London is dogging relations between the two countries.

The big four securities groups, Nomura, Yamachi, Daiwa, and Nikko all applied several years ago to the Bank of England for licences to take deposits in the UK, the first step towards becoming a bank. But they were turned down on the grounds that they were not constituted or regulated as banks in Japan.

The companies, which have securities dealing offices in London, have established banking operations elsewhere in Europe, including Holland, Germany, and Switzerland.

Their cause has now been taken up by the Japanese Ministry of Finance which is responsible for regulating both banks and securities houses in Japan. Talks have recently been held between the Ministry and the Bank of England, but the UK side is refusing to budge.

Resentment on the Japanese side has reached quite a pitch, judging by comments made by a Ministry official to the Financial Times. "We cannot understand the Bank of England's attitude," he said. "It allows British banks to do banking and securities business, so why can't the Japanese?"

The Bank of England has a policy of granting deposit-taking licences only to foreign entities that rank as banks in their home countries. But in the Japanese case, it also seems to be concerned about the free-wheeling reputation of the Japanese securities industry.

But if the Japanese continue to press their case, some compromise may be possible. Their understandable eagerness to operate as banks in the world's major financial centre and the heart of the Euromarkets could be used as leverage to improve the lot of UK banks in Japan.

Tokyo foreign exchange market considers reform

BY YOKO SHIBATA IN TOKYO

DIRECT FOREIGN exchange dealings between banks are under study by the Tokyo foreign exchange market as part of a series of reforms that would substantially liberalise current practice and reduce the role of the foreign exchange brokers.

The market practice committee of the foreign exchange market, comprising foreign exchange banks, foreign exchange and money brokers, and representatives of the Bank of Japan, has put forward two major suggestions as part of the broader movement here, under steady U.S. pressure, to liberalise the capital markets.

● The ban would be lifted from direct foreign exchange dealings between the 190 licensed foreign exchange banks. At present transactions must pass through the intermediary of one of the 10 licensed foreign exchange brokers. In order to soften the blow for the brokers, however, the lifting of the direct transactions ban would at first apply to deals other than those between yen and U.S. dollars. Yen/dollar transactions account for over 90 per cent of all Tokyo foreign exchange dealings.

● The foreign exchange brokerage commission structure is to be reviewed with the intention of bringing it more into line with other major markets.

Pressure has been increasing from the Japanese City banks and from foreign banks operating in Japan (which make up about one-third of the total of authorised foreign exchange banks) for the right to carry out direct transactions and for a reduction in the high commission fees paid to brokers.

The market practice committee has, however, accepted that smaller foreign exchange brokers could be driven out of business by any sweeping change in the regulations. In addition to agreeing to a more gradual process of change, the committee is also studying ways in which the brokerage firms could be allowed to deal directly with overseas banks and foreign exchange brokers. This would open up the way to more extensive international co-operation.

Two of the 10 licensed foreign exchange brokers, Astley & Pearce and N. W. Marshall, are British-owned but operate under local rules and practices which effectively limit their connections with their parent companies' international networks.

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The issue price of the Notes is 100 per cent. of their principal amount. The Notes have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Note. Interest is payable semi-annually in arrears in February and August, the first payment being made in August 1984. Full particulars of the Notes and the Kingdom of Spain are available in the Extel Statistical Service and may be obtained during usual business hours up to and including 28th February, 1984 from the brokers to the issue:

Cazenove & Co.,
12 Tokenhouse Yard,
London EC2R 7AN
14th February, 1984

Malaysian side lifts Tan Chong

BY WONG SULONG IN KUALA LUMPUR

TAN CHONG MOTORS, the distributor of Nissan cars in Malaysia and Singapore, has reported a 12.6 per cent rise in pre-tax profits to 74m ringgit (U.S.\$17.7m) for 1983, an increase of 18 per cent to 1.07bn ringgit.

Like many Malaysian companies, Tan Chong is taking advantage of the present bullish market to increase its capital by a massive 240m ringgit to 336m ringgit through a five-for-two scrip issue to be followed by a share split from one ringgit to 50 cents shares.

The final dividend is 25 cents, making an unchanged total of 30 cents a share.

The better earnings came solely from the company's Malaysian operations. Despite stiff competition from Toyota cars, distributed by United Motor Works, Nissan car sales in Malaysia advanced by 26 per cent to 780m ringgit, while profits rose 38 per cent to 48m ringgit.

Sales in Singapore were little changed at 280m ringgit, and earnings fell by 17 per cent to 26m ringgit.

Nissan captured nearly 29 per cent of the Malaysian car market last year, with 25,820 cars against 21,233 cars or 28.6 per cent of the market.

Tan Chong said its scrip issue will capitalise on 183m ringgit from capital reserves (including 175m ringgit from a revaluation of assets) and 57m ringgit from reserves. Its shares were last traded at 10.4 ringgit, giving it a market capitalisation of over 1bn ringgit.

Sharp recovery in second half for Highveld Steel

BY OUR JOHANNESBURG CORRESPONDENT

HIGHVELD STEEL and Vanadium, the South African steel and ferro alloys producer, believes that the worst of the recession is now behind it. A significant increase in domestic and export demand for steel boosted turnover to R173.8m (U.S.\$139m) in the second half of 1983, from the first half level of R108.1m.

Pre-tax profit was R14.7m in the second half against R8.8m in the first. The year's turnover of R281.7m and pre-tax profit of R23.3m compare with R236.3m and R25.1m respectively for the previous 18 months.

The directors say that most operations were running at higher levels of production by the year's end.

The dividend total is 15 cents from earnings of 32.3 cents a share. In the 18 months to end-1982, earnings were 301.5 cents a share, and a dividend total of 49 cents was declared.

● Strong demand for cement by house builders in Transvaal and Natal boosted sales by Anglo-Alpha, the South African cement producer, in 1983.

Despite weaker demand for stone and aggregates, turnover rose by 8.5 per cent to R274.5m (U.S.\$221m) from R252.9m. Operating income before interest and tax rose by 12.5 per cent to R75m from R66.6m.

The directors said the result was achieved by a combination of higher turnover, strict cost controls, and improved operating efficiencies. However, as the company's capital spending programme has slowed and few investment allowances could be claimed, the effective tax rate was sharply higher and attributable income was only 1.2 per cent higher at R27.5m against R27.2m.

A dividend total of 47 cents a share has been declared from earnings of 81.3 cents a share calculated after current cost accounting adjustments. In 1982 earnings were 90.4 cents a share and a total dividend of 42 cents was declared.

Anglo-Alpha is one of South Africa's largest cement producers and is 33.8 per cent owned by Holderbank Financiere Glaris, a Swiss investment group.

Trust Bank well ahead at midway

By Our Johannesburg Correspondent

TRUST BANK, South Africa's fifth largest banking company, increased disclosed interim after-tax profits by 19.2 per cent in the six months ended December to R20.5m (U.S.\$16.4m) from R17.2m. For all 1982-83 profits were R37.5m.

Dr Chris van Wyk, the managing director said the result had been achieved against a background of severe pressure on interest margins caused by sharp increases in all deposit rates and a resistance by the authorities to allowing lending rates to achieve market-related levels. He added that Trust Bank had increased its penetration of the corporate sector and its up-market personal finance.

An ordinary dividend had not been declared as the board believes that disclosed reserves need further strengthening. However, it is the intention to resume ordinary dividend payments in 1985 once the lifeboat loan from the Reserve Bank has been repaid and internal reserves are satisfactorily sound.

Bahrain bank pays 12%

SMALL DEPOSITORS at the Bahrain Islamic Bank obtained a better return on their funds last year than at the other 18 domestic banks. Although wealthier customers who went for fixed-term and revolving deposits were not so well off, Mary Kings reports.

After declaring a profit of BD 2.19m (U.S.\$5.8m) for the year ending October, the bank has announced a 12 per cent dividend to shareholders and profit sharing with depositors of between six and eight per cent.

Other banks in Bahrain pay interest of 8 1/2 to 4 per cent on savings accounts and up to nine per cent on BD 30,000 certificates of deposit.

NOTICE TO HOLDERS OF

BEST DENKI CO., LTD.
(Kabushiki Kaisha Best Denki)

5% PER CENT CONVERTIBLE BONDS DUE 1997

Pursuant to Clause 7(B) and (C) of the Trust Deed dated 24th March, 1982 under which the above Bonds were issued, notice is hereby given as follows:

1. On January 28, 1984, the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of February 29, 1984, in Japan, at the rate of 0.1 new share for each share held.

2. Accordingly, the conversion price at which the above Bonds may be converted into shares of Common Stock of the Company will be adjusted effective immediately after such record date. The conversion price in effect prior to such adjustment is Yen 1,254.20 per share of Common Stock and the adjusted conversion price is Yen 1,140.20 per share of Common Stock.

BEST DENKI CO., LTD.
By: The Bank of Tokyo Trust Company as Trustee
Dated: February 14, 1984

ENERGY RESOURCES & SERVICES INCORPORATED
Net Asset Value 31st January 1984
\$8.01
per share (unaudited)

STOCKHOLDERS FAR EAST INVESTMENTS INC.
Net Asset Value 31st January 1984
\$2.77
per share (unaudited)

AHMSA

Altos Hornos de México, S.A.
U.S.\$1,000,000,000
Floating Rate Notes Due 1987

In accordance with the provisions of the above Notes, notice is hereby given that for the six months from 10th February 1984 to 10th August 1984, the Notes will carry an interest rate of 10% per annum.

The interest payable on each U.S.\$10,000 Note on the relevant interest payment date, 10th August 1984, against Coupon No 5 will be U.S.\$21.35.

Agents:
Lloyds Bank International

The
Toronto Dominion Bank
U.S. \$100,000,000
Floating Rate Debentures
February 1992

For the six months 14th February 1984 to 14th August 1984 the Debentures will carry an interest rate of 10 1/4% per annum. The relevant interest payment date will be 14th August 1984 and the amount of interest payable on each coupon will be U.S. \$515.03.

Agent Bank
Midland Bank plc

HOW TO PUT MORE MUSCLE INTO YOUR PORTFOLIO.

NYSE INDEX FUTURES Equity investors with a taste for action are always looking for new ways to leverage their position in the market.

Many are using NYSE Stock Index Futures, a dynamic product based on all the more than 1500 common stocks listed on the New York Stock Exchange.

If you have a strong feeling about where the market is headed, with NYSE Index Futures you can turn those opinions into a single buy or sell decision.

A relatively small amount of capital is required to establish a substantial position in the market, or to hedge an

existing one. For example, an NYSE Index Futures contract currently worth approximately \$50,000 can be purchased with a "good faith" deposit of as little as \$3,500. (Eligibility requirements vary among brokerage houses.)

NYSE Index Futures are extremely liquid, so you'll never be locked into a position. An average of 15,000 contracts worth more than \$3/4 billion changes hands every day on the New York Futures Exchange.

NYSE Index Futures move very quickly. And they involve a level of risk some investors would rather avoid. But they also represent the potential for substantial and rapid gains.

To find out if NYSE Stock Index Futures should be part of your investment strategy, contact your broker or the New York Futures Exchange, 20 Broad Street, New York, N.Y. 10005. 1-800-221-7722. In New York, 212-623-4949.



TECHNOLOGY

HIGH-TECH TEXTILES IN BARNSELY

Fashioned by computer

By PETER MARSH

AN INNOVATIVE high-tech company is spending millions on new production methods, increasing turnover by 17 per cent annually—and rather than shutting factories is expanding its workforce.

A Japanese company in electronics? No, a Barnsley firm in the rag trade!

S. R. Gent, which has 20 factories in Yorkshire, spends £3m a year on new machinery. The company has borrowed technology from hovercraft in a system that moves around bundles of cloth on compressed air.

It is spending £2.5m on a computerised network with which planners at the head office will keep track of production at the outlying factories. With the help of supervisors will monitor the work of individual machinists.

When it is finished in about four years, the computer system will keep an electronic record of the work in which each machinist excels, for example, the finishing of shirt collars or the stitching of cuffs.

This will enable factory planners to switch around work between employees, to maximise production.

The use of technology extends to computer-aided design of the kind more usually seen in engineering factories. S. R. Gent is working on a project in which clothes designers draw their creations on a screen linked to a computer.

At the touch of a few buttons, the information would be translated into a stream of digits. This instructs machinery to plan how to cut cloth into patterns, in an exercise called grading.

As a further step, the same computer would order a machine to cut up the cloth into the pieces that are later stitched together to form the finished garment.

The company runs a small R and D team of 10 people. They work on anything between microprocessor-controlled sewing machines to hardware that uses compressed air to press garments automatically.

The company's emphasis on technical innovation is stressed by Mr Bernard Adler, the financial director, by one factor: the need to respond quickly to changes in demand in the

fast-moving fashion business. Clothes for women and children account for most of the company's annual output of 11.5m garments, made in about 1,300 different styles. Some 92 per cent of S. R. Gent's products are bought by Marks and Spencer.

"We operate in very small cycles, says Mr Adler. "One production run could be as little as four or five weeks. That means speed of action and response is of the utmost importance."

The changing nature of the clothes business is demonstrated by hardware that the company has installed for embroidering designs automatically.

Two years ago, such designs—motifs, logos and so on—were on the front of blouses—were relatively unimportant in the mass-market fashion business.

Now S. R. Gent needs to turn out 50 different designs for logos every week. Before the advent of computerised sewing machinery, this job had to be done laboriously by hand.

But with the company's £175,000 embroidery system, computer tapes program 70 individual sewing units that each chatter away at 600 stitches a minute.

In a few weeks, the company will install new hardware in which designers draw logos on a display unit. The design—for no matter how complicated a pattern—can be stored in digital form in an electronic memory that programs the sewing heads directly.

The company is scornful of efforts in technology by other clothing manufacturers. "Normally when you are in an industry that has been around so long, you can go to lots of people and pick their brains," says Mr Lew Simkins, technical manager in S. R. Gent's cutting room.

"But this industry is so dormant that there are no brains to pick."

Mr Colin Craker, the company's production director, says he would not hesitate to throw away the embroidery machines in a few years if fashions suddenly changed.

"There is a realising in some companies that if machinery is under-utilised then you should try to sell merchandise that will



Computers enter the rag trade: in producing patterns for clothes (above) and to control cutting machines

use the machine. But our view is that you should sell goods for which there is a demand—which may mean getting rid of machinery that is only a few years old.

Mr Craker says that the company deliberately employs people for its top jobs who have backgrounds other than in the clothing industry. "Experts tend to have preconceived ideas."

S. R. Gent's brash approach has produced results. Annual sales have increased from £27m in 1979 to £70m in 1983. Despite the accent on new technology, which the company admits is labour-saving and "de-skilling," staff has increased in this time from 4,000 to 5,300.

The extent of the technical advances is mirrored by the figures for how much time sewing machines are idle. In the clothing industry in general, this is about 28 per cent. In the rest of the time, the machinist is busy feeding material into the equipment or doing other mundane jobs.

"It's like buying a Formula One racing car and then keeping it locked in the garage for much of the day," comments Mr Craker.

S. R. Gent has increased the figure to an average of about 35 per cent. The stream of innovations means an individual garment is made in 50 per cent less time than 10 years ago, says Mr Craker.

The accent on speed is most evident in S. R. Gent's heavily computerised cutting room at

its Barnsley headquarters. From here, cloth cut into patterns is sent out to the company's individual sewing units.

On average, 10 pieces of cloth are needed for every garment. The cutting room despatches every week some 600,000 square metres of cloth—enough to cover 10 soccer pitches.

The material is cut up at lightning speed by electronically controlled knives that can scythe through up to 300 layers at a time.

In another part of the operation, engineers are installing a robot that will lift bundles of cloth into a chamber in which the material is fused together (to lend strength) by high-frequency radio waves.

The company has a closed-shop agreement with the National Union of Tailor and Garment Workers. Employees sign an agreement on labour flexibility—they will do virtually any job in the factory.

At any time, some 10 per cent of the employees are undergoing training of some kind. The company has also encouraged the formation of 20 "quality circles," small groups in which employees discuss ways of improving production.

But the accent on new technology has its price, according to Mr John Whitmore, the personnel director. "Society is demanding more goods at less cost. When you introduce new technology you need a few extra specialists—but you take away the skills from a lot more."

MANUFACTURE

When the label reads 'made in space'

A GIANT manufacturing company in the U.S. has signed an agreement to produce commercial products in space. The 3M company, based in Minneapolis, will participate in flights of the space shuttle, turning out organic crystals and thin chemical films that are difficult to produce on earth.

The first of 3M's experiments could fly on a space shuttle as early as August, according to the National Aeronautics and Space Administration.

If the research proves productive, commercial products could be manufactured from the U.S. space station that President Reagan announced last month. The space station will be in orbit by the early 1990s, according to NASA's plans. 3M says that products from the research could find use in a variety of commercial areas—including electronic goods, displays, energy conversion and biology.

The company is one of several U.S. commercial organisations to sign agreements with NASA on space manufacturing. A consortium of McDonnell Douglas and Johnson & Johnson has produced the most encouraging results.

On four shuttle flights, the companies have experimented with producing chemicals with a technique known as electrophoresis. In this, substances are separated according to the charges on their constituent molecules.

In zero gravity, the process is particularly efficient. Other companies studying materials-processing in space are Microgravity Research Associates (which is interested in semiconductor production), John Deere (alloys) and Honeywell (electronic circuits).

SpaceLab is a reusable orbiting laboratory, built by Western Europe.

PETER MARSH

Peripherals

Triple density floppy disc

MICRO PERIPHERALS of Pangbourne, Berkshire, can offer a 5.25 inch floppy disc drive which the company says has three times the capacity of the customary 96 tpi (tracks per inch) units.

Called Megadrive, the model 1722 employs 170 tpi to yield a total capacity of 3.2 megabytes. The drive is ping compatible with current eight inch floppy controllers with an SA 850 interface. So it can be used with existing hardware and the increased capacity makes it well suited to program loading and Winchester back-up applications.

To ensure tracking accuracy a closed loop positioning system is used that automatically adjusts the drive to distortions in the disc surface caused by temperature and humidity. With the aid of a micro and sensors, Megadrive is able to sense track locations and guide the head to the required track. Embedded servo tracks do not have to be written on the disc.

Track-to-track access time is stated to be three milliseconds (ms) and the average access time 88 ms. More on 07357 4711.

Computers

Basic compiler

OXFORD Computer Systems has launched a range of Integer Basic Compilers for use with Commodore 64, the new 700/B-128 and the 3000/4000/8000 Series.

Compilers translates Basic into machine code so that programmers can program directly into Basic computer language. In addition software developed for one model can be translated for use with another. More details on 0993 812700.

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Peripherals

Triple density floppy disc

MICRO PERIPHERALS of Pangbourne, Berkshire, can offer a 5.25 inch floppy disc drive which the company says has three times the capacity of the customary 96 tpi (tracks per inch) units.

Called Megadrive, the model 1722 employs 170 tpi to yield a total capacity of 3.2 megabytes. The drive is ping compatible with current eight inch floppy controllers with an SA 850 interface. So it can be used with existing hardware and the increased capacity makes it well suited to program loading and Winchester back-up applications.

To ensure tracking accuracy a closed loop positioning system is used that automatically adjusts the drive to distortions in the disc surface caused by temperature and humidity. With the aid of a micro and sensors, Megadrive is able to sense track locations and guide the head to the required track. Embedded servo tracks do not have to be written on the disc.

Track-to-track access time is stated to be three milliseconds (ms) and the average access time 88 ms. More on 07357 4711.

Computers

Basic compiler

OXFORD Computer Systems has launched a range of Integer Basic Compilers for use with Commodore 64, the new 700/B-128 and the 3000/4000/8000 Series.

Compilers

UK COMPANY NEWS

Dalgety jumps by 73% in first half

AN UPSURGE of 73 per cent in first half profit is reported by Dalgety, the international merchant. For the six months ended December 31 1983 the pre-tax figure came to £18.5m, against £10.7m in the corresponding period, and the directors are confident of a much improved result in this, the centenary year. A profit of £22.5m was achieved for 1983-84.

The acquisition of Rank Hovis McDougall's agricultural division in the UK, the merger of Dalgety New Zealand and Crown Consolidated, and in Australia the merger of the rural agency and wool broking business, coupled with the continuous attack on costs, have strengthened the group in key areas. The changing shape of the group will lead to profits being earned more evenly throughout the year, the directors tell shareholders.

In the half year, turnover rose from £1.37bn to £1.75bn and trading profit, before interest, from £3.5m to £8.5m. A regional split shows: UK £87m (£86m); New Zealand £20.5m (£17m); Australia £5m (£5m); U.S. £2.5m (£2.5m); Canada £1.47m (£1.0m) and £4.2m (nil).

By active split was: agricultural service and supply £448m (£332m) and £12m (£17.7m); food processing and distribution £280m (£277m) and

£13.3m (£10.9m); cereal processing and compounding £277m (£265m) and £11.5m (£12m); other £203m (£194m) and £7.1m (£6.9m).

Mr David Donne, chairman, says the UK profit included £2.7m in respect of RHM Agriculture for the four months since acquisition. The agricultural division continues to improve following the feed mill investment programme. Increased demand, brand support and cost reduction in petfood are beginning to translate into better results for the grocery side.

On the other hand, the milling division experienced severe price competition, and substantial increases in the price of maling barley reduced margins in the malt division.

Mr Donne says the Canadian company has benefited from improved number prices and the trading division had a much better level of activity.

Once again, the U.S. companies have produced a good increase in profit, where food distribution continues to benefit from volume growth and operating efficiencies.

The ending of the drought in Australia and New Zealand has improved trading activity in their rural economies, which makes it easier to carry out the major integration programmes. Similar relief has not come to Zimbabwe where dry conditions continue.

After interest charges £14m (£13.5m), UK tax £5.5m (£5.2m), overseas tax £5.3m (£1.9m) and minorities £0.7m (£0.6m), the net profit came out at £18.5m, compared with £10.7m. Earnings are shown at 23.5p (18.1p) and the interim dividend is held at 11p net per share. Total for last year was 22p.

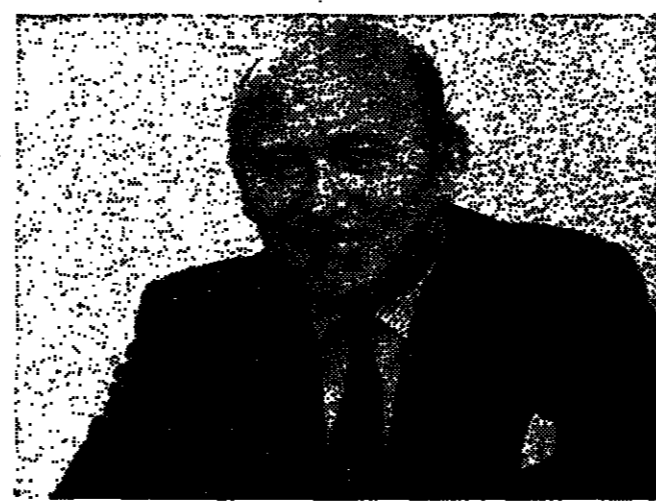
There are extraordinary debits of £2m (credit £0.5m), and these included a provision of £3.5m for adjustment of inventory of a subsidiary to U.S. book value in anticipation of disposal.

At December 31 group borrowings totalled £250m, against £201m at June 30 and £239m at end 1982. Short-term borrowings accounted for 88.5m (£81.7m) and loan capital for £165m (£147.7m). Included in those totals, secured borrowings amounted to £5.5m (£17.4m) and £27.5m (£41.3m) respectively.

The tax charge represents a best estimate of the percentage for the year, after taking into account unabsorbed ACT.

Dalgety New Zealand is accounted as a related company from November 1983 following its merger with Crown Consolidated. The profits less losses of overseas subsidiaries have been translated into sterling at the rates ruling on the appropriate dates.

The chairman says the three important transactions outlined



Mr David Donne, chairman of Dalgety

in the annual report were completed. In the UK, the acquisition of RHM Agriculture was completed in October and the integration with the agricultural businesses of Dalgety UK is proceeding smoothly.

The merger of Dalgety New Zealand and Crown Consolidated was declared unconditional in early November. Dalgety NZ ceased to be a subsidiary and Dalgety now owns 24.7 per cent

of the enlarged Dalgety Crown Corporation. Integration of the two companies is making good progress.

In Australia the merger of the rural agency and wool broking business with the similar business of Farmers Grassco and Bonanza Farmers was declared until December. In consequence, rationalisation is only now under way.

See Lex

Manchester Ship Canal recovers to £778,000

OPERATING PROFITS of the Manchester Ship Canal Company jumped from £28,000 to £1.14m in 1983, while at the pre-tax level the group finished 2776,000 in the black, compared with losses of 2978,000 previously.

Earnings per £1 share came out at 6p, an upper loss of 5p, and the dividend for the year is being raised from 3.5p to 5.5p net.

At the interim stage, the group reported that its recovery was continuing with taxable profits for the period of £237,000 (£196m losses).

Operating revenue for the year was some £1m lower at £23.7m. Pre-tax results were after charging voluntary severance payments of £2.5m (£2.9m) and £1.5m (£1.5m) receipts from land and properties, less expenses, and £285,000 (£273,000) investment income, less interest.

The great leap in the operating profit of Manchester Ship Canal reflects the altering profile of the company. It continues the costly job of reducing the workforce (a further 230 jobs went last year) in the face of a declining shipping business. It is also developing its property assets, which are worth £25m worth land in the last three years. It has made a good start to the Dockers Estate mixed residential and commercial development and is preparing fully serviced sites on the neighbouring Enterprise Zone. MSC has still failed to persuade the local authorities to meet the £2m estimated costs of dredging the upper reaches of the canal, a burden which falls on the company though it receives no income. The market has been attracted by the big discount to net asset value of the shares estimated at over 25 per cent, and by the hope of a return in the next few years to dividends of the 1979 level of 15.4p. The total net dividend of 5.5p net up from 3.5p is a small step in the right direction and gives a yield of 4.5 per cent on the shares which closed up 9p at 179p.

Press Tools

Pre-tax profits of Press Tools fell from £123,000 to £98,500 in the six months to October 31, 1983 and the directors say that no significant return is immediately apparent. Nevertheless, there are occasional signs which give rise to optimism, they said.

Turnover of this press tools, jigs, fixtures and automated turned parts manufacturer declined from £1.45m to £1.25m for the first half and trading profits were down from £38,000 to £27,000.

The net interim dividend is held at 0.5p. Last year's special payment was 2p when profits amounted to £157,945.

Herrburger Brooks ahead to £96,931

Increased demand for Herrburger Brooks' products has enabled the company, which makes piano actions, keys and hammers, to report a significant increase in pre-tax profits from £45,637 to £96,931 in the half year to November 30, 1983.

Turnover for the period rose from £2.1m to £2.41m and the directors say the company has a full order book for the second quarter. Indications are that a satisfactory level of orders will continue into the fourth quarter.

However, the directors point out that the gross margins achieved on the approved volumes are likely to be eroded by the continued decline of sterling against the U.S. dollar. This has increased material costs sharply and may lead to further exchange losses.

At the trading level, profits were up from £76,955 to £121,153, before interest payable of £24,222 (£21,000). Tax charges increased from £22,813 to £54,655.

There is again no interim dividend — no payments have been made since 1980.

Winterbottom Energy

Winterbottom Energy Trust announces that at close of business on February 10, its net asset value was 89p, after deducting 10p for the proposed special dividend of 10p, leaving a residual of 79p after deduction at market value.

MAM results

Management Agency and Music plans to release delayed results for the year to July 31, 1983 tomorrow in the wake of a court judgment on a case brought against the company by singer Gilbert O'Sullivan.

MAM said that its appeal against a court judgment was heard last December and that a judgment would be delivered on Tuesday. The company's management will recommend a final dividend and contain "some indication of the board's own assessment of the likely effect of the appeal judgment."

FULCRUM INVESTMENT TRUST P.L.C.
Net asset value (unaudited) as at 31st January 1984
Income Shares: 41.60p
Capital Shares: 5.62p

LADBROKE INDEX
Based on FT Index
797-301 (-6)
Tel: 01-493 5261

Notts Manufacturing advances to £24.6m and raises dividend

PRE-TAX profits of Nottingham Manufacturing Company, which is engaged in a controversial takeover bid for F. Miller (Textiles), improved from £15.12m to £17.71m in the second half of 1983.

This left the full year outcome for this limited outturner, hosiery and tuffed accessories, corn ahead from £21.2m to £24.5m, and the total dividend is being lifted from 5.1p to 6.2p with a final payment of 4.5p net.

Trading profits expanded from £20.52m to £23.7m on turnover of £123.5m (£123.6m), and £23.7m (£23.7m). Pre-tax results were after depreciation of £5.43m (£5.6m). It included investment and other income of £7.34m (£6.53m).

Corporation tax took £2.48m (£2.52m) and deferred tax £2.12m (£2.2m) which were expenses of £29,000 (£34,000) relating to

All-round expansion for Murray Western Trust

Growth in asset value and revenue has been shown by Murray Western Investment Trust in 1983. Shareholders also receive more by way of dividend.

At the end of 1983 net asset value per ordinary and B ordinary share had risen to 128.5p, after reaching 123.8p by June 30. At the end of 1982 it had stood at 102.2p.

An effectively maintained final dividend lifts the total from 1.8p to 1.9p net for 1983. And in respect of the current year the interim payment is being raised from 0.5p to 0.7p net per share. B holders receive a scrip issue.

Total revenue for 1983 came to £8.2m, compared with £5.8m, and comprised unfranked income

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corre- sponding div. year	Total last year
County Properties	Int. 1p	July 2	11	1.65
Dalgety	Int. 11	July 3	11	23
Habit Properties	Int. 0.5	April 24	0.25	0.25
Manchester Ship	Int. 5.5	—	3.5	5.5
Murray Western	Int. 1.4	April 4	1.4*	1.9
Notts Manufacturing	Int. 0.7	Aug 24	0.5	1.9
Press Tools	Int. 0.8	July 2	0.8	0.8
Shires Invest.	Int. 8.8	April 9	8.8	11.8
Wellson Smurfit	Int. 1.4	—	1.41	4.88

Dividends shown pence per share, except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Strong exports lift Manganese Bronze

REFLECTING the benefit of an "unusually strong" export demand, profits of Manganese Bronze Holdings for the half year ended January 31, 1984 have jumped from £81,000 to £298,000. Interest charges were up from £122,000 to £181,000.

Mr Denis Poore, the chairman, stresses that the figures cannot yet be considered good, or even adequate in the absolute. They still fall a long way short of those achieved during the more prosperous periods of the late 1970s.

He says, historically, results for the second half have been significantly higher than those for the first. This time it may be unwise to rely on the customary extent of advance in the second half. "In the longer term, a greater level of optimism prevails generally."

Better figures are important if sufficient funds are to be set aside annually to sustain the modernisation of production facilities in the factories.

In the half year turnover of the group — which is split into powder metal, foundries, vehicles, and other products divisions — moved ahead from £18.53m to £20.72m. It also has a new 50 per cent interest in

the equity of Norton Villiers Triumph, the motor cycle manufacturer.

Trading profit expanded from £223,000 to £287,000, after charging depreciation £273,000 (£287,000), lessing £165,000 (£141,000), and redundancy and termination payments net of government reimbursement, £58,000 (£101,000).

The trading profit reported for the full year ended July 31, 1983 of £351,000 has now been adjusted downwards to the extent of £134,000. This follows a re-appraisal of the requisite provision for warranty costs for which Carbodies became liable following its assumption of responsibility as manufacturer of the London taxicab in 1982. Profit before tax is restated at £414,000.

Mr Poore says the situation relating to the new CR3 taxicab under development by Carbodies was reported fully in the annual accounts issued last November. Negotiations to obtain the finance required for the remainder of the relevant tooling costs are proceeding favourably. It may be possible to inform shareholders of the outcome shortly. Meanwhile, the present FX43 taxicab continues to give good

service in London and other areas.

The market for industrial property remains weak in the Midlands and North of England. No further sales of the properties for disposal has been achieved in the period, Mr Poore reports.

comment

Long suffering shareholders in Manganese Bronze are at last seeing some positive signs of recovery. Trading profits in the first six months are quadrupled with margins up from 1.3 per cent to 4.3 per cent. Yet it would be wrong to think 1983-84 is going to see a rapid recovery to anything like the hey-days of the late seventies. After an indifferent performance throughout the sixties and early seventies profits suddenly accelerated in 1976-77 plateauing at £21m for two years before making the long descent to losses of £0.6m by 1981. It is a leaner company that is trying to make the second a second time around and with a solid economy throughout the rest of the year profits might again reach the 21m area. But the usual seasonal bias in favour of the second half will be absent this time round because of abnormally buoyant export demand in the interim period for remote controlled bus doors. The shares rose 8p to 42p yesterday, as much in anticipation of agreement soon over financing of tooling costs for the new CR3 taxicab, as a comment on the figures. Assuming a maintained 2.17p dividend the yield is now 7.4 per cent.

Murray Caledonian assets growth

Net asset value per ordinary and "B" ordinary shares of Murray Caledonian Investment Trust improved from 98p at June 30, 1983 to 103.9p at December 31. Earnings per share, for the year to June 30, 1984, are estimated at 4.4p, compared with 3.65p at June 30, 1983.

Pre-tax revenue in the six months to December 31, 1983 improved from £2.33m to £2.43m. Dividends and interest were higher at £3.29m (£3.08m) and interest on borrowed money totalled £723,000 against £556,000. Expenses rose to £130,000 (£76,000). Tax was down from £382,000 to £217,000.

Top-quality synthetics

▲ 200.33 The Judge, sculpture by Hans Jörg Umbach, Hombrechtikon, Switzerland

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Grilon, our polyamide 6, is preferred for a wide range of other applications. We produce Grilamid and Grilon in many forms for varying customer requirements. We even have a made-to-measure service — you give us your specifications and we give you the polyamide you need. EMS has, moreover, a team of highly qualified technical staff to help solve your problems.

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This advertisement appears as a matter of record only.

Hugin Group plc has acquired the Hugin business from AB Electrolux

The finance for this acquisition was arranged by Hambros Bank Limited in conjunction with Laing & Cruickshank

Incorporating McAtney, Montgomery & Co

WU WERELDNAME

N.V. Beleggingsmaatschappij Wereldname (Government Company with variable capital) 23, Nassaulaan - R.O. Box 35500 2008 CJ The Hague, The Netherlands

Extraordinary Shareholders' Meeting

Notice is hereby given that an Extraordinary Shareholders' Meeting will be held at the Babylon Hotel, 55, Koningin Wilhelminaplein, The Hague at 11.00 a.m. on Wednesday 7th March, 1984.

On the Agenda are a proposal to amend the Articles of Association and a proposal to appoint a new member to the Supervisory Board.

The Agenda for the meeting along with the proposed amendment to the Articles of Association and explanatory note thereon are, as from today, available free of charge to shareholders and usufructuaries with voting rights at the Company's Offices 53, Nassaulaan, The Hague, and at Plannon, Holding & Plescon N.V., Alphen aan den Rijn, Copernicusplein 1, Rotterdam, and at the offices of the Company's Agents: Mees & Hope N.V., Credit Lyonnais Bank Nederland N.V. and Kempen & Co. N.V. in Amsterdam, Rotterdam, The Hague and Utrecht, for so far as these are established.

An English translation of these documents is available free of charge at Morgan Grenfell & Co. Limited, New Issue Department, 21, Austin Friars, London EC2N 2EB.

Shareholders who wish to attend the meeting have to deposit their shares or deposit receipts from an institution as defined in Article VIII § 2 of the Articles of Association on or before 3rd March, 1984 at the Company's Offices 53, Nassaulaan, The Hague or at the offices of one of the Company's above-mentioned agents.

By Order of the Supervisory Board

The Hague 14th February 1984

Moët-Hennessy

1983: A 25% INCREASE IN TURNOVER

The Board of Directors, which met on 24th January 1984, decided that, from Monday 6th February, it would pay an interim dividend of FF8, plus the tax already paid to the Treasury (tax credit) of FF4, i.e. a total of FF12. It will be paid on presentation of coupon no. 38. Maintaining this payment at the 1983 level will in no way prejudice the sum of the final dividend.

The Board also noted the operations of the past year which, with a provisional consolidated turnover of FF5,753 million, show an increase of 25% compared with 1982.

The champagne and wines sector has resumed its commercial growth with an increase in volume of 10.2% and a turnover of FF2,449 million — 21.4% more than the previous year.

The increase in the cognac sector is 6% for volume and 30.2% for turnover for FF1,591 million.

The consolidated sales total in the perfumes and cosmetics sector is now FF1,420 million with increases of 21% for Dior and 12.5% for Roc.

Appearing for the first time in the group's consolidated account is the turnover of Armstrong Nurseries in the USA, at a value of FF100 million. The reorganisation of the company in 1983 meant that certain operations were stopped but orders obtained for 1984 show an increase compared with the previous financial year.

The 1983 results have not yet been worked out, but it is certain that they will show a marked increase compared with the previous financial year although they will fall short of the very high percentage increase of the turnover.

UK COMPANY NEWS

Recovery to £102,000 at County Properties

A TAXABLE profit of £102,000 for the six months to September 30 1983 at County Properties Group...

The company has altered its year end, with the current period covering 18 months to September 30 1984.

Mr John Guthrie, chairman, says that the company which has projects throughout England and Scotland...

Because results of any half year depend on the timing of sales of completed developments, he adds that he is unable to give an indication of results for the six months to March 31 1984.

Property investment income, he says, will continue to grow and will contribute increasingly if interest rates are stable.

Property development turnover in the six months of the current reporting period was £2.3m which, with rental income of £417,000, gave a total of £2.7m, against £2.7m.

Interest took £409,000 (£248,000) and overhead expenses totalled £163,000 (£133,000).

The company owns 40.08 per cent of the shares, with interests in plantations. As at February 10, the stock market capitalisation of this holding was £2.4m.

Improved platinum market boosts Impala profits

BY GEORGE MILLING-STANLEY

THE LATEST interim results from South Africa's Impala Platinum, showing pre-tax profits 60 per cent higher at R137.8m (£78m), put it beyond any doubt that there has been a sharp resurgence in world demand for platinum.

There was considerable speculation last month when the rival South African producer Rustenburg Platinum Mines announced a big improvement in first-half profits that this might be attributable to the latter company's more competitive pricing policy, which could have secured an increase in market share at Impala's expense.

Rustenburg's prices are based closely on the free market price, but Impala has adhered to the producer price of \$475. Impala is believed, however, to offer sizeable discounts to major customers when necessary.

Certainly, Impala does not seem to have suffered any loss of market share. The interim report states that the increase in platinum consumption by traditional users was greater than anticipated at the time of the annual report last September.

The metal is used extensively in oil refining and for jewellery, notably in Japan, and there is growing demand from the motor industry for use in exhaust catalysts.

This increase, together with improved revenues from the other metals Impala produces, led to the jump in profits.

Apart from platinum itself, Impala produces the other platinum group metals palladium, rhodium and ruthenium, together with some nickel and copper.

A further pointer to the overall state of the platinum market is provided by the fact that Impala is increasing its rate of production in line with notified demand from customers.

After tax and lease payments at almost twice the level of the previous first half, Impala's attributable profits for the six months to December 31 were R67.3m, compared with R50.2m.

MINING NEWS

Improved platinum market boosts Impala profits

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After tax and lease payments at almost twice the level of the previous first half, Impala's attributable profits for the six months to December 31 were

R67.3m, compared with R50.2m. Earnings rose to 117 cents a share from 87 cents, and the interim dividend is lifted to 25 cents a share from 20 cents, well above the share market's expectations.

Six months to 31.12.83 31,722 31,722 R000 R000

Consolidated profit - 137,826 86,177 The six months to 31.12.82 70,524 35,391

Net profit - 67,300 50,187 Earnings per share 117 87

Last year's final dividend was 80 cents, to make a total of 65 cents of net attributable profits of R91.6m.

Impala said yesterday that profits for the year to June 30 are expected to be higher than the previous year's level, but the sharp increase experienced during the first half is not expected to be repeated over the current six months.

The shares gave up 5p to 925p in London yesterday in advance of the results, in a generally weaker market.

Return to profit at Placer

HIGHER PRECIOUS METAL prices during the first three-quarters of last year helped to return Canada's Placer Development to profits for the 12 months.

Net profits for 1983 came out at C\$29.3m (£16.6m) or 70 cents a share, compared with a loss in 1982 of C\$20.3m or 56 cents a share.

Sales revenue moved ahead to C\$282.4m from C\$255.5m.

Placer, in which the big Noranda Mines group has a stake of about one-third, said yesterday that the improvement was achieved in spite of continued adverse conditions for the mining industry.

Precious metal prices deteriorated during the final quarter, and the copper and molybdenum interests suffered throughout the year from weak demand and low prices.

Full-year profits included a gain of C\$22.5m arising from the sale of 20 per cent of Placer's Kidston Gold Mines venture in north-eastern Queensland to Elders IXL, the Australian group.

This gain was partly offset by a C\$8.5m write-down in the value of Placer's investment in Mar-copper, which produces copper in the Philippines. These two items resulted in a net gain to Placer's investment income of C\$13.7m.

Although results for the fourth quarter are not disclosed, these figures suggest profits excluding investment income of something like C\$4m, implying that the precious metals interests held up well in the face of lower prices in the final three months.

Placer's precious metals production is through the 70 per cent-owned Equity Silver Mines in British Columbia, the wholly-owned Golden Sunlight open-pit

gold property in Montana and the 34 per cent-owned Real de Angeles silver mine in Mexico.

Endako, the British Columbia molybdenum producer, and Gibraltar Mines, which produces copper, also in British Columbia, both made losses.

The sale of part of Kidston was the first step towards reducing Placer's interest to 55 per cent to comply with Australia's foreign investment guidelines. Further share control will be offered to Australian interests before the end of the year.

Kidston, which has estimated reserves of 38.5m tonnes grading 1.77 grammes of gold and 2.11 grammes of silver per tonne, is expected to come into production in June next year. Annual output will be about 6,000 kg of gold and 4,100 kg of silver.

South Africa's domestic coal is state-controlled and permitted price increases have been below the inflation rate. Mr Ellis points out that in 1983 the controlled price rose by 1.5 per cent whereas cost escalation was running at 14.5 per cent.

Export markets remain over-supplied and pressure on prices is expected to continue in the short term. But Mr Ellis says that 85 per cent of South African coal exports are in the form of steam coal and this is a growing market which is expected to recover by 1985-87 after the past over-optimism.

Mr Norman B. Keivil, chief executive, disclosed that the new Bullmoose coal mine in British Columbia has been completed and is expected to be in production by 1985-87 after the past over-optimism.

Increased loss at Teck

LOW COPPER and molybdenum prices during the closing three months of last year had a severe impact on the results of Teck Corporation, one of Canada's biggest natural resources groups.

The market's first Teck's financial year, produced a net loss for the group of C\$2.6m (£1.5m), double the size of the loss for the first three months of the year before.

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Notice of Redemption

Corning International Corporation 8 1/2% Guaranteed Sinking Fund Debentures Due March 15, 1986

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of March 15, 1971, under which the above designated Debentures are issued, \$2,233,000 aggregate principal amount of such Debentures of the following distinctive numbers has been drawn by lot for redemption on March 15, 1984 (herein sometimes referred to as the redemption date) through the operation of the Sinking Fund at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption:

Table listing debenture numbers and amounts for redemption, including columns for Debenture No., Amount, and Redemption Date.

The Debentures specified above are to be redeemed for the said Sinking Fund at the option of the holder (a) at the Residence and Deliver Windows of Citibank, N.A., Trustee under the Indenture referred to above, 111 Wall Street - 5th floor, New York, New York 10038 or (b) subject to any laws or regulations applicable thereto, at the main offices of Citibank, N.A. in Amsterdam, Brussels, Frankfurt (Main), London (Citibank House), Milan, and Paris and the main office of Citibank (Luxembourg), S.A. in Luxembourg, the Company's Paying Agents. Payment at the offices referred to in (b) above will be made by check drawn on, or transfer to a U.S. dollar account maintained by the Holder with a bank in the City of New York.

On the Redemption Date such Debentures shall become due and payable at the Redemption Price and on and after such date, interest on the said Debentures will cease to accrue and the coupons for such interest shall be void.

The Debentures specified above should be presented and surrendered at the offices set forth in the preceding paragraph on the said date together with all interest coupons maturing subsequent to the Redemption Date.

Coupons due March 15, 1984 should be detached and presented for payment in the usual manner.

Corning International Corporation By: CITIBANK, N.A., as Trustee February 15, 1984

GrandMet disposal

The Chesterfield Hotel, London, WI has been bought from the Grand Metropolitan Group by Tollman-Hundley Hotel Group of the U.S.

Mark of the Chesterfield Group's programme of rationalisation of its hotels portfolio in the UK and is the sixth of ten central London hotels sold during the past year.

Eastern Transvaal Consolidated Mines Ltd.

Members are informed that production at the Company's mines in the Barberton area was adversely affected by exceptionally heavy rains caused by Cyclone Domoina on 30 January 1984.

At Sheba Mine the ZK shaft bottom was flooded and two haulages were partially flooded. It was therefore not possible to mine ore from the higher grade areas. The haulages have been de-watered and it is expected that the mine will return to the normal production rate by Tuesday 14 February 1984.

Production from the Royal Sheba and Margaret sections, which are relatively low-grade areas, was not materially affected. The rains also caused minor production delays at Agnes and New Consort, but both mines are now operating normally.

Considerable surface damage was caused at Agnes. The other two mines also experienced surface damage, but to a far lesser extent. It is estimated that total mill throughput was reduced by some 5,500 tons of ore containing approximately 105 kilograms of gold, equivalent to 14 per cent of the December quarter's production of 750 kilograms.

An insurance claim will be lodged with the Company's insurers.

By order of the Board ANGLOVAL LIMITED Secretaries per: E. J. Thomas

London Secretaries: Anglo-Transvaal Trustees Limited 295 Regent Street London W1R 8ST England

Granville & Co. Limited

Member of NASDMM 27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

Over-the-Counter Market

Table showing market data for various companies, including columns for High, Low, Company, Price Change, Gross Yield, and Fully Paid.

BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions, including A.B.N. Bank, Allied Irish Bank, Amro Bank, etc.

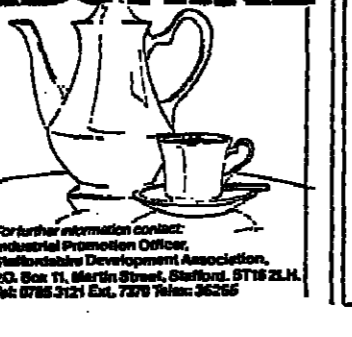
Charterhouse Japhet International Finance B.V.

U.S. \$10,000,000 GUARANTEED FLOATING RATE NOTES 1985 pursuant to the Terms and Conditions of the Notes that for the six months from 14th February, 1984 to 14th August, 1984 the Notes will carry an interest rate of 10 1/8% per annum.

Saligmac Short Term Floating Rate Notes \$200,000,000. Dated February 9, 1984. Due August 9, 1984. Price 100%. Series 8-B4. Includes contact information for Roger C. Pastore and Mitchell A. Johnson.

STAFFORDSHIRE

China, a little piece of Staffordshire. Famous world-wide for its ceramics. North Staffordshire famous for Royal Doulton, Spode, Wedgwood, Coalbrookdale.



Staffordshire Ceramic Development Association, 203, Box 11, Stratford Street, Stafford, ST16 2JL. Tel: 0582 5251 Ext. 729. Telex: 56555.

BIDS AND DEALS

Rumours push Phoenix price up 35p

BY ERIC SHORT

THE U.S. insurance giant Continental Corporation, last night denied that it had sold its 24 per cent holding in Phoenix Assurance Company to Allianz Versicherung, the West German insurance group which recently failed to acquire Eagle Star Holdings.

Phoenix shares had shot up early by 40p from Friday's closing price of 450p on market rumours that Allianz had chosen Phoenix as its new target to gain a strong presence in the London insurance market. The price eventually closed at 485p.

Allianz's previous attempt to enter culminated in the market's largest bid battle, with Eagle Star eventually going to BAT Industries for nearly £1bn.

The German insurance group has maintained that its plans include a major representation in the London insurance market. There has been considerable speculation as to which composite would be next on Allianz's list.

Phoenix Assurance, the smallest of the quoted composite insurance groups, is considered a prime target for the West

German predator. But since 24 per cent of its shares are held by Continental, any potential bidder would have to come to some agreement with the company.

Rumours of some agreement have been rife in the market since the Eagle Star battle. Speculation has become more heated, with stories of Continental selling out at prices varying from £5.30 to £6 per share.

This resulted in heavy trading in Phoenix shares yesterday. It appears to have been fuelled by those speculators who did well out of their operations in Eagle Star. They are being paid their cash this week.

Allianz has emphasised that it will not rush into its next move, but will review the London insurance scene thoroughly first.

The closing price of 485p values Phoenix at £296m.

Mr Ron Bishop, chief general manager of Phoenix, stated that he had no knowledge of any talks between Continental and Allianz. Neither had his company been approached by the West German company.

Glaxo to spend £17m on Italian acquisition

BY ALAN FRIEDMAN in Milan

THE ITALIAN subsidiary of Glaxo, the UK pharmaceuticals and chemicals group, is to spend some £17m on the purchase and restructuring of an insolvent Parma-based pharmaceutical company.

La Glaxo, Glaxo's wholly-owned offshoot, has agreed to pay £130m (£58m) to purchase the plant, equipment and trade marks of Italmexi Pharma, an ethical drugs business which is in receivership.

La Glaxo also plans to spend a further £20m (£3.3m) on a restructuring of Italmexi, the idea being to introduce new technologies and retrain a number of the Italian products.

The plant and equipment of Italmexi is being purchased from Europrogramme, a Lugano-based property development fund, for £150m.

Glaxo is paying £10m for Italmexi's trade marks and the restructuring of the plant, which will employ 150 people. Glaxo's Italian subsidiary, based at Verona, now employs 1,500.

La Glaxo last year recorded net profits of £1.25m (£125m), against £200m (£20m) net profits of £2.8m (£28m), largely reflecting the success of Glaxo's Zantac anti-ulcer drug on the Italian market.

Undisclosed suitor agrees takeover bid details for GB Papers

BY DAVID DOOWELL

GB Papers, the five-based paper maker, plans to reveal today details of an agreed takeover bid from an undisclosed company. Its shares were suspended yesterday at 56p.

Mr John Dick, GB Papers' deputy chairman, said yesterday that active discussions had begun "very recently" and that his own company had not been seeking any offer.

Over the past three years a Bahamas-based banking and investment group called Delecte Pan-america has steadily bought shares, and at the weekend controlled just under 30 per cent of GB Papers' shares.

Mr Dick refused yesterday to give any indication of the size of the bid, but at a suspension price of 56p the group's market capitalisation is £4.18m.

"All I can say is that the offer is in an area that our directors feel they can recommend it to shareholders, and the directors would be looking for a premium," he said.

According to the group's latest report and accounts, its net asset value is in the region of 70p per share.

GB Papers has returned to profitability only in the past year, after two years of losses and passed-over dividends.

In the year to March 31 1981, when the paper-making industry was at its most depressed, the group sustained losses of £1.3m on a turnover of £23.6m. A small loss of £96,000 in 1982 has been overturned, with the group reporting profits for 1982-83 of £284,000 on reduced turnover of £19.2m.

In the first half of the current financial year profits before tax rose to £80,000. Despite warnings at the time of the interim that trading conditions were "becoming more difficult," Mr Dick noted yesterday that "in the event, our caution was not so necessary."

Leda Inv. breaks its links with Rivermoor

By Charles Batchelor

Leda Investment Trust, currently part of the Rivermoor Management Services stable, is to carry out its own investment management from April 1 and move its administrative management to Arbutnot Investment Services.

This move follows the decision by the three joint founders of Rivermoor, River and Mercantile Trust, London Trust and Moorside Trust, to wind-down Rivermoor's activities.

Two other trusts still with Rivermoor, Dames and Jove, are expected to announce their plans shortly.

River and Mercantile announced in December that it was moving its management to Perry Turbott and Co.; Moorside has been taken over by Guinness Peat; and London Trust is moving to another investment management group not later than March 31.

Mr Stephen Cockburn, managing director of Rivermoor, said the company had operated as a co-operative in which its three founders pooled their administrative arrangements rather than as a management house. It had, however, taken on Leda, Jove and Dames on a client basis.

"The move of Leda's administrative investment to Arbutnot takes it back to original roots. Leda was floated by Ionian Bank whose investment team never moved in its entirety to Arbutnot when the banking business. Leda had net revenue of £243,000 in 1983 slightly down on the £250,000 of the year before. Net asset value was 138p per share at December 31, 1983.

Stakis builds up 6.63% stake in Norfolk Capital

Stakis, the Glasgow-based hotels and casino group, has built up a 6.63 per cent stake in Norfolk Capital Group, the hotel chain controlled by Lady Joseph, widow of Sir Maxwell Joseph.

Norfolk said yesterday that it had been informed that Stakis had acquired 1.26m shares through subsidiary companies. Norfolk's shares rose 4p to a new 1983-84 high of 50p while Stakis was unchanged at 103p.

Stakis bought its first London hotel, the St Ermin's, from Grand Metropolitan for £6.5m last July, although it also operates a casino at the privately-owned Imperial Hotel in Bloomsbury. Norfolk operates 10 hotels, three of which are in London. They are the Royal Court, the Norfolk and the Baywater Fairway Inn.

Norfolk said Stakis had not made contact yesterday to give any reason for the share purchase.

The Virani hotel and property group run by exiled Ugandan businessman Mr Nazim Virani disclosed in November that it held a 6.8 per cent stake in Norfolk but sold this holding in December. The Virani and Stakis holdings are believed not to be connected.

Dealings are halted in Prince of Wales Hotels

THE Stock Exchange temporarily suspended dealings in the shares of Prince of Wales Hotels at 135p yesterday at the company's request. An announcement is expected tomorrow.

Prince of Wales said the suspension was requested following an approach from Taddale Investments which on Thursday announced a 130p cash bid valuing Prince of Wales at £7.85m.

The hotel group also adjourned until noon today the extraordinary shareholders' meeting scheduled for yesterday.

The meeting had been called to seek approval for the proposed acquisition of the St Georges Hotel in London and a linked increase in the authorised share capital.

Taddale has made its bid conditional on the St Georges deal not going through although this condition can be waived. Taddale's shares were unchanged at 40p yesterday.

Taddale, an industrial holding group, already owns 14.8 per cent of Prince of Wales and has said it will dispose of any shares which take its holding above 50 per cent.

Taddale has signed an agreement with Quality Inns of America, an hotel management group, to manage Prince of Wales if the deal goes through.

Frizzell purchase

The Frizzell Group, the privately owned Lloyd's insurance brokers which also controls Lloyd's underwriting interests, has acquired the insurance broking interests of the Bolton Group for an undisclosed cash consideration.

Bolton, which acts as a managing agent to a number of Lloyd's insurance syndicates in the market, said that the sale would enable it to meet the divestment requirements of Lloyd's 1982 legislation.

Under the legislation all Lloyd's insurance brokers must sever their shareholding links with managing agents which they control by 1987. Bolton has chosen to dispose of its broking company rather than the agency company which will still comply with the Lloyd's legislation.

The companies acquired by Frizzell are F. Bolton (Holdings), F. Bolton and Co. Bolton Corder, F. Bolton International, Bolton 31 and Bolton Corder Insurance Services.

The acquisition will give Frizzell a number of new insurance activities—aviation reinsurance, marine cargo insurance, farming and agricultural and American dollar surplus line placements direct in London.

As a result of the acquisition Mr K. B. Ohlson, managing director and chairman of F. Bolton (Holdings), is to join the Frizzell Group board.

Bassett Foods sells its Australian off-shoot

Bassett Foods, the Sheffield-based sweet-maker which is currently the object of a takeover bid from Avana Group, has signed contracts for the sale of its Australian subsidiary, Bassett's Sweets Pty, to Allen's Confectionery for £2m.

This is a further step by Bassett to redeploy its assets in areas where an enhanced return can be achieved, the company said.

The Australian subsidiary made pre-tax profit of A\$67,000 (£44,000) in the year ended March 31 1983 and had a net worth of A\$2.97m at that date.

Bassett will use the proceeds of the sale to finance capital spending aimed at improving manufacturing efficiency.

Allen's has reached a long-term agreement with Bassett to continue distribution of its products in Australia.

Allen's was also the object of a takeover bid—from Cadbury Schweppes Australia and the Nelson Tobacco Company—last year until the Australian Government stepped in to block the deal.

BIDS AND DEALS IN BRIEF

Capital and Counties has acquired a 99-year lease of Nos 28-29 Threadneedle Street. Refurbishment has begun to provide 10,600 sq ft of air-conditioned offices with ground floor suitable as a banking hall. The company's 95 per cent-owned housebuilding subsidiary, Roger Malcolm, has completed the sale to Tesco Stores of an 11-acre site at Larkfield, near Maidstone, for £3.75m.

The board of Forward Technology Industries has sold a freehold property, formerly occupied by a group company, for £285,000 cash. Of this, £28,500 has been paid and the balance is payable within four weeks.

The property has a book value of £299,000 and produces a rental income of £40,000 per annum. The proceeds will reduce group indebtedness.

Hewden/Stuart Plant has acquired the whole of the issued share capital of M and H Plant Hire (Manchester) for a cash consideration of £1.5m. Additional consideration of £200,000 will be payable on April 7 1984 provided that the audited accounts for the 10 months to January 31 1984 disclose net profits before taxation of not less than £275,000.

M and H operates 10 depots throughout the UK from which it is engaged in the hiring and sale of items of small plant. In the year to March 31 1983 the company's turnover exceeded £3.2m and the net assets attributable to shareholders amounted to £1.47m.

It is the intention that M and H will continue to operate under its present executive directors as a separate company within the Hewden/Stuart Group.

APV International, a subsidiary of APV Holdings, has acquired the remaining 25 per cent shareholding in APV Farsels.

APV Farsels markets the products of a number of APV companies in eastern Europe, and has achieved significant sales breakthroughs recently, particularly in Hungary and Bulgaria.

Mr L. Saffman and Mr. M. S. Ross, as trustees, have disposed of 400,000 LDE Group ordinary shares, representing 6 per cent of the issued share capital. The trustees continue to hold 1.2m (18 per cent), and Mr Ross, chairman of the group, continues to hold a non-beneficial interest in these.

The 400,000 shares were placed with institutional clients.

Richardsons, Westgarth announces the completion of the sale of the fixed assets at Lunningham of its wholly-owned subsidiary, the Humber Graving Dock and Engineering Company to Seaforth Welding for £500,000 cash.

Humber Graving will complete its major outstanding contract, for the diving support vessel Orella, using Seaforth as subcontractor for the general construction work. The other outstanding contract has been novated to Seaforth.

The assets sold had a book value of £224,578 at December 31, 1983 the date of the latest audited accounts of Humber Graving. Proceeds of the sale are being used to reduce Richardson's borrowings.

Saint-Piras has recently acquired 105,000 ordinary shares in Milbury and now holds 8.22m. Milbury is planning to exercise the power available to it to acquire the minority shareholdings in Westminster Property Group and if all minority holders accept the share alternative offer, Milbury will hold 12.44m ordinary shares.

Saint Piran's holding would then represent 74.09 per cent of the issued share capital.

Simon Engineering's main operating subsidiary in oil services, Unichem International of Hobbs, New Mexico, has acquired Parabo, a small privately-owned company.

Parabo operates a facility in the Buncie area of New Mexico for the surface disposal of oil field waste waters and the recovery and sale of the residual oil. The acquisition expands the service offered by Unichem's Rowland Trucking Division.

The recommended offer by Dobson and Co. for Britalms has been declared unconditional in all respects.

Acceptances were received from all shareholders representing 99.99 per cent of Britalms' ordinary shares. Elections were received for 1,456,170 nominal of 9 per cent unsecured loan notes 1990 of Dobson and for 884,328 Dobson ordinary.



DECLARATION OF DIVIDEND NO. 19 (FINAL)

A dividend, No. 19 of 10 cents a share being the final dividend in respect of the financial year to December 31 1983, has been declared payable on May 4 1984 to shareholders registered in the books of the corporation at the close of business on March 30 1984. This dividend, together with the interim dividend of 5 cents a share declared on August 5 1983, makes a total of 15 cents a share for the year.

The dividend is declared in the currency of the Republic of South Africa. Dividend warrants will be posted from the office of the transfer secretaries on or about May 3 1984.

Any change of address or dividend instruction to apply to this dividend must be received by the corporation's transfer secretaries not later than March 30 1984. Shareholders must, where necessary, have obtained the approval of the South African or any other exchange control authorities having jurisdiction in respect of such instructions.

The share transfer register and register of members will be closed from March 31 to April 13 1984, both days inclusive.

In terms of the Republic of South Africa Income Tax Act, 1962, as amended, non-resident shareholders' tax will be deducted by the corporation from dividends payable to those shareholders whose addresses in the share register are outside the Republic. The effective rate of non-resident shareholders' tax is 15 per cent.

The abridged audited consolidated income statement of the corporation and its subsidiaries for the year to December 31 1983 is as follows:

	12 months to December 31 1983	18 months to December 31 1982
Turnover	261 664	536 318
Profit before taxation	23 328	95 137
Less: taxation (444)		23 132
	22 768	72 005
Less: outside shareholders' interests	1 413	2 835
Attributable profit	22 355	69 070
Interim dividend No. 18 of 5 cents a share and No. 16 of 16 cents a share	3 407	18 503
Provision for dividend No. 19 (final) of 10 cents a share (1983: No. 17 (final) of 22 cents)	6 814	14 961
Retained earnings	12 134	35 678
Number of shares in issue at end of period	68 138 778	68 138 778
Taxed earnings per share (cents)	32.8	101.5
Dividend per share (cents)	15	49

It is anticipated that the annual report will be posted to all registered shareholders on or about March 19 1984.

By order of the board
A. J. L. Pretorius
Company Secretary

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Certificates.

Banque Nationale de Paris
New York Branch

\$250,000,000

Floating Rate Certificates of Deposit
Due February 1989
(Libor Indexed)

Merrill Lynch Capital Markets

SHARE STAKES

SelectTV—Mr R. J. Woolcott, a director, disposed of 800 shares in order to settle borrowings resulting from the rights issue in 1982. He retains 587,000 (4.13 per cent).

Cory—Mr F. L. Kohnstamm, a director, has acquired 300,000 ordinary shares from the employee trust of K. Kohnstamm and Co. He remains interested in 636,527 beneficial shares and 1.88m non-beneficial together representing some 28.4 per cent.

Sheraton Securities—Mr D. A. Floyd-Walker, a director, has sold 79,000 ordinary shares, altering holding to 150,000.

Sater—Abingworth has reduced its holding of ordinary from 1m (5.4 per cent) to 850,000 (4.8 per cent) shares.

Stroud Riley—Mr R. M. Stroud, a director, sold 23,000 ordinary shares.

Warrington Engineering—Seaforth Investments has acquired 20,000 ordinary shares (1.75 per cent) and now holds 162,000 (14.17 per cent).

British Steam Specialities—Britannic Assurance now has an interest in 6.32 per cent of the issued ordinary shares.

McInerney Properties—Standard Life Assurance Company now holds 185,245 ordinary shares (just over 6 per cent).

Norton Opax—Mr D. A. Rocklin and D. S. Rocklin have each sold 100,000 shares.

Eaton—Dr J. L. Leonard, a director, has disposed of 40,000 shares reducing total holding to 3,918 per cent.

F. H. Tomkins—Mr G. F. Hutchings a director, Simon and Coates and County Bank, interested in 7.1m ordinary.

Hales Progs Group—On February 9 Wesleyan and General Assurance Society disposed of 275,000 ordinary at 200p per share and now holds 289,417 ordinary (10.25 per cent).

Bishopsgate Trust—Following a purchase on February 9 the Prudential Group of Companies now controls 24.12 per cent.

American Oil Field Systems—Oil Field Systems Corporation has purchased 265,000 shares. Mr B. J. Ahrens is a director and shareholder of both companies.

Tyson—Mr W. L. Tyson, chairman, sold 11,240 ordinary at 63p and 200,000 at 64p.

McCormac—Mr E. N. J. McCormac disposed of 25,417 8 1/2 unsecured loan stock 1984-89.

London & Stratclyde Trust—St Mary Axe Holdings, a subsidiary of British & Commonwealth Shipping Company, acquired on February 10 £200,000 3 1/2 cumulative preference stock (14.6 per cent of the voting rights in company) which together with £99,275 (6.4 per cent) of the said stock already held by associate companies, now amounts to £299,275 of the stock (21 per cent).

IMPALA PLATINUM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

INTERIM PROFIT STATEMENT

The unaudited consolidated results of this Company's operations during the six months ended 31 December 1983, together with comparative figures, are as follows:

	6 Months to 31.12.83	6 Months to 30.6.83	Year to 30.6.83
Consolidated profit for the period	137,825	84,777	174,947
Less: Taxation and lease consideration	70,524	35,990	83,309
Profit for the period after taxation and lease consideration	67,301	48,787	91,638
Dividends	20,177	14,412	49,002
Earnings per share (cents)	117	87	159
Dividends per share (cents)	35	25	85

The increase in consumption of platinum by traditional users exceeded that anticipated in the company's most recent annual report. This together with improved revenues from co-product metals has contributed to the improved profit of R137,825,000.

Although profits for the financial year to 30 June 1984 are forecast to be higher than the previous year, the sharp increase experienced during the period under review is not expected to be repeated in the second half.

The company's rate of production is being increased in line with notified demand from customers.

Interim Dividend declared on 13 February 1984—Payable on 5 April 1984
Amount per share 35 cents—Currency conversion 26 March 1984
Copies of the full Interim Report may be obtained from the office of the London Secretaries, 30 Ely Place, London EC1N 6UA

UK COMPANY NEWS

FT COMMERCIAL LAW REPORTS

Jefferson Smurfit maintains interim

Jefferson Smurfit Group, the Dublin-based packaging, printing and distribution concern, is paying an unchanged interim dividend of 1.30p net per 25p share in respect of the year to January 31 1984.

The board points out however, that the payment does not pass on to shareholders the significant impact of ACT. The absence of this cost by the company is equivalent to an extra 0.8p per share, to give the same yield to shareholders as they would have enjoyed before the imposition of this tax.

A decision on the final dividend level will be taken in the light of circumstances at that time and as such, the board can give no commitment that it will be unaffected by the adverse impact of dividend "restrictive tax legislation."

The group's 80 per cent owned U.S. subsidiary, Jefferson Smurfit Corporation, increased net income from \$1.59m to \$3.4m in the fourth quarter to December 31 1983, equivalent to a rise per share from \$0.21 to \$0.39.

This meant that full year net income came out higher at \$10.12m, compared with \$9.89m, although income per share was marginally lower at \$1.28, against \$1.32. Tax credits for the 12 months were reduced from \$4.49m to \$2.7m.

Net sales for 1983 rose from \$388.24m to \$599.46m, with the fourth quarter result ahead \$56.15m at \$156.3m. Of the increase, however, \$172.62m for the year and \$38.01m for the fourth quarter was attributable to the acquisition of a subsidiary early in 1983.

As a result of the improved economic climate, the company was able to implement price increases on all major product lines in the last six months of 1983. But offsetting the impact of these rises was the effect of the severe freeze in the south-eastern states in late December, which severely impacted the company's Jacksonville Kraft Linerboard mill.

F.T. Share Information

The following securities have been added to the Share Information Service:

- Brewmaker (Section: Foods)
- Bridgewater Estates (Property)
- Stekley (Property)
- Towngrade Securities (Property)

Habit doubles dividend as profits climb to £83,000

PRE-TAX profits at Habit Precision Engineering climbed from £19,039 to £83,038 in the year to September 30 1983, and the dividend is doubled at 0.5p net. Based on the current expectation of the first half of the current year, the directors anticipate the payment of an interim dividend in due course.

The profit increase resulted from a combination of sustained improvement in demand, effects of previous rationalisation and restructuring measures and the successful integration into the diamond division of the companies acquired in March 1983.

The directors say the autumn trading has been satisfactory, and orders have continued unabated for all products. Walton Jigs and Pools is particularly busy. An effect of this is that the company has started the year well in profit and, subject only to the level of orders being maintained, the sale of its machinery in the satisfactory position through the year.

The board is continuing to investigate opportunities to improve and expand the company.

Group turnover for the year increased from £1.88m to £2.58m. No tax was payable (£9,883

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: Arrol Industries, G. M. Forth, Fleet Holdings, Hampson Industries, Pearsons, Whitrust.

Final: Bio-Isolates, General Funds Investment Trust.

FUTURE DATES

Interim: Acorn Computer Feb 23
Amstrad Consumer Electronics Feb 23
Don Brothers (Suits) Feb 23
Murray Glenisdon Invest. Tr. Mar 12
Webb (Joseph) Feb 15

Final: Jaffed Leather Industries Feb 24
Framing American Invest. Tr. Feb 21
Huneprent Feb 16
Management Agency and Music Metal Bulletin Feb 21
Ronney Trust Feb 23
Shrimps and Fishes Feb 16
Transport For Business Feb 24
Technology Development Mar 15

credit), but there were extraordinary debits of £28,489 compared with £5,000. These were principally redundancy costs. Earnings per 5p improved from 0.86p to 2.44p.

The businesses of precision abrasives and Culver Diamonds are now combined in a modern factory in Litchfield, Staffordshire, from which they provide a service to its customers in the West Midlands. The spare factory has been sold for a small profit.

The proceeds from the sale of the freehold at Roxby Place in south-west London, amounting to £275,000, were received shortly before the year end. These have almost eliminated the company's overdraft.

There will be a consequent saving in interest charges in the current year, add the directors. No further redundancy costs are envisaged and, on the contrary, in certain areas it has become necessary to recruit additional employees.

With the new businesses acquired and the signs of a sustained recovery in the sectors of industry they supply, the company again expects to see turnover increase substantially.

Foundation laid for profit at Burco Dean this year

BANK BORROWINGS of Burco Dean, manufacturer of domestic appliances, kitchen furniture, die-casting and plastic moulding, were reduced during 1983 as a result of the sale of its Carter's fire and security alarm business, and the group's bankers have agreed to additional facilities in the current year to cover the company's forecast sales expansion.

Reporting this in his annual statement, Mr Spencer Crookenden, chairman, says the kitchen furniture division continued to make losses during last year. However, a management reorganisation has taken place and benefits from this will begin to show through in improved trading results for the second half of 1984.

The group is now being managed under a simplified one-company structure but continues to trade under its established brand names of Eastham Kitchens, Burco and Maxol Appliances, Ashworth Diecasting and Leisure, Eastham Burco Export and Mitchell Plastics.

Mr Crookenden says that the executive team has worked effectively during 1983 to create the

foundation for a return to profitability in 1984. Although under the new trading structure it will no longer be practicable to report on results of individual sections, the chairman's statements will continue to highlight the salient features of the company's activities.

As reported on December 16, the group incurred pre-tax losses of £697,000 (£771,000) for the year to September 30, 1983.

At that date shareholders' funds totalled £6.53m (£6.5m), fixed assets £3.4m (£3.72m) and net current assets £4.79m (£4.77m).

A statement of source and application of funds shows an increase in net bank balances of £63,000 (£72,000 decrease).

Charms Steam-Ship Company is the beneficial owner of 28.33 per cent of Burco's ordinary capital.

Mr Crookenden will retire from the board in April, when he is 65, and will be replaced as chairman by Mr Michael Hutton. The Annual General Meeting will be held at the City Conference Centre, EC, on March 7 at noon.

Anglo American Agriculture

In their first circular to shareholders since the issue of new ordinary shares which raised some £2m last July, the directors of Anglo American Agriculture say that the forecast dividend of 0.7p net for the second half of 1983 will be "comfortably" covered.

Preliminary results for the 12 months to the end of December should be available in April, they add.

Interim figures have not been issued, they explain, since income from the grape harvest accrues in the second half and the proceeds from the rights issue, which substantially increased the size of the company, were also received after June 30 1983.

The rehabilitation programme in the San Ysidro vineyard began to show results this season. The total harvest of 565 tons realising around U.S.\$290,000 gross, compared with 400 tons in 1982.

They say a large number of prospects have been inspected and there are current negotiations for the purchase of two high yielding mature properties in southern California, producing table grapes and dates.

No tax deferment despite genuine transactions

FURNISS v DAWSON
House of Lords (Lord Fraser of Tullybelton, Lord Scarman, Lord Roskill, Lord Bridge of Harwich and Lord Brightman): Feb 9 1984

WHERE pre-ordained steps in a composite transaction have commercial effect but no commercial purpose other than tax deferment, the court's approach when determining whether tax is immediately payable will be to disregard those steps though they are not self-cancelling, and to consider the end result of the transaction.

The House of Lords so held when allowing three consolidated appeals by the Inland Revenue from Court of Appeal decisions that Mr George Dawson, deceased, and his two sons, Mr Douglas Dawson and Mr Rexford Dawson, were not liable for capital gains tax on a sale of shares.

LORD BRIGHTMAN said that the transaction to be considered was not a tax avoidance scheme, but a tax deferral scheme. It sought to defer payment of tax until the taxpayers, the Dawsons, had received into their hands the gains they had made.

The Dawsons held shares in two operating companies which manufactured clothing. Mr Wood of Wood Barstow agreed with Mr George Dawson that Wood Barstow would buy the entire shareholding.

Acting on advice, the Dawsons decided not to sell directly to Wood Barstow. They arranged first to exchange their shares for shares in an investment company to be incorporated in the Isle of Man.

They incorporated a company called Greenjacket Investment. By one sale agreement Greenjacket was to purchase the shares in the operating companies for £152,000 in consideration of an issue of shares in Greenjacket. By a second sale agreement, Greenjacket was to sell the shares in the operating companies to Wood Barstow for £152,000. Both agreements were put into effect on December 20 1971.

Section 19 of the Finance Act 1968 charged capital gains tax on the disposal of assets. Paragraph 6 of Schedule 7 provided certain exceptions in the case of company amalgamations.

One exception applied to a transfer of shares by one company to another which thereby acquired control, in exchange for shares in the transferee company. In such a case there was deemed to be no "disposal" of the former shareholding.

In the present case, the Dawsons were assessed to capital gains tax in the sums of £57,000, £28,000 and £28,000.

The Special Commissioners discharged the assessment. They held that the first sale agreement was not a "disposal" by the Dawsons to Greenjacket.

Before the case reached the High Court, there was a significant change in the approach adopted towards artificial tax savings schemes.

In *Floor v Davis* [1978] 1 Ch. 295 vendors of shares in one company sold them to a newly-incorporated company which in turn sold them to the ultimate purchasing company.

The majority of the Court of Appeal looked at each sale separately and held that the first stage of the transaction could not be regarded as a disposal by the vendor to the ultimate purchaser.

In a dissenting judgment, Lord Justice Eveleigh took the view that the shares were "disposed" by the vendor to the ultimate purchaser. He said that the vendor "controlled the destiny of the shares from beginning to end."

In *Ramsay* [1992] AC 300 the House of Lords agreed with the dissenting opinion of Lord Justice Eveleigh and held that the fact that each step in a transaction was a genuine step producing its intended legal result did not confine the court to considering each step in isolation.

"Viewed as a whole, a composite transaction may produce an effect which brings it within a fiscal provision."

In *Ramsay* the transactions under attack were "self-cancelling." They were designed to return and did return the taxpayer to the starting position except for the payment of expenses.

The transactions in the present case were not self-cancelling because Greenjacket was brought into being for an indefinite period and the money paid by Wood Barstow would never reach the Dawsons' hands unless and until Greenjacket was wound up or its capital reduced.

Burmah Oil 54 TC 200 reaffirmed the *Ramsay* principle. Lord Diplock said that *Ramsay* marked "a significant change in the approach . . . to a pre-ordained series of transactions . . . into which there are inserted steps that have no commercial purpose apart from the avoidance of a liability to tax which in absence of those particular steps would have been payable."

Secondly, there must be steps inserted which had no commercial purpose apart from the

avoidance of a liability to tax—not no business effect.

If those two ingredients existed the inserted steps were to be disregarded for fiscal purposes. The courts must then look at the end result which would be taxed would depend on the terms of the applicable tax statute.

In the present case the inserted step was the introduction of Greenjacket as a buyer from the Dawsons and as a seller to Wood Barstow. That inserted step had no business purpose apart from deferral of tax, although it had a business effect. If the sale had taken place in 1964 before capital gains tax was introduced, there would have been no Greenjacket.

The formulation therefore involved two findings of fact: first, whether there was a pre-ordained series of transactions, ie a single composite transaction; and secondly, whether that transaction contained steps which were inserted without any commercial or business purpose apart from a tax advantage. They might be primary facts or inferences to be drawn from primary facts.

The correct approach, where inferences had to be drawn, was for the Commissioners to determine from their findings of primary fact the further fact whether there was a single composite transaction and whether that transaction contained steps which were inserted without any commercial or business purpose apart from a tax advantage; and for the appellate court to interfere with that inference only where it was insupportable on the basis of the primary facts so found.

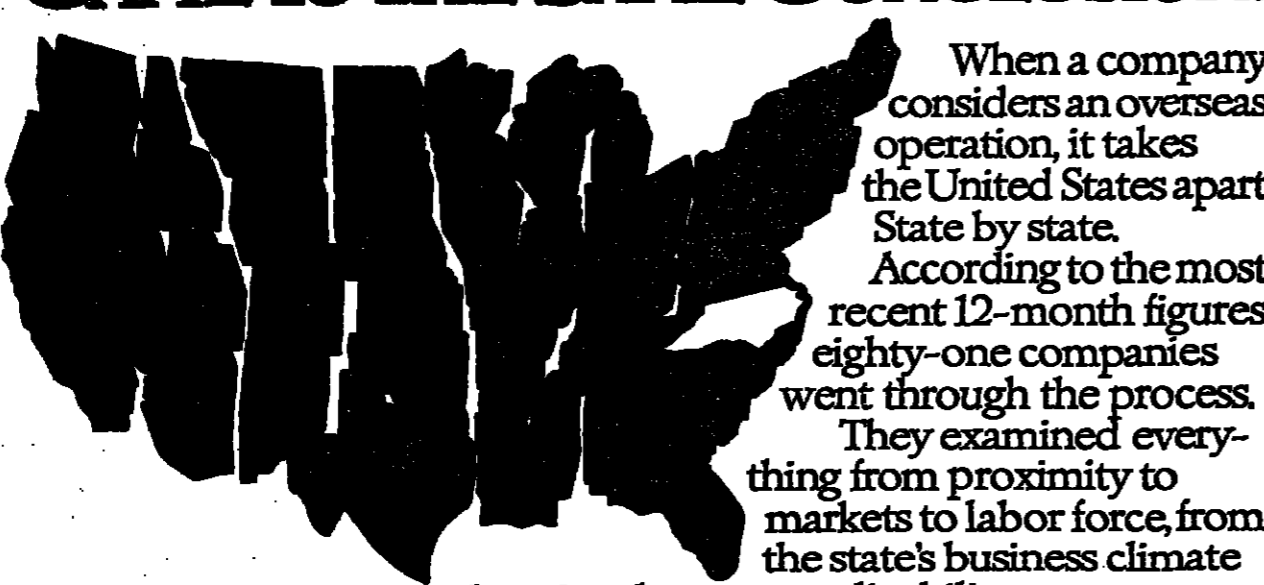
The result of correctly applying the *Ramsay* principle to the present case was that there was a disposal by the Dawsons in favour of Wood Barstow in consideration of a sum of money paid with the Dawsons' concurrence to Greenjacket.

Accordingly, capital gains tax was payable. The appeals should be allowed.

Their Lordships all gave concurring judgments.

For the Revenue: Peter Millett QC and Robert Carnwath (R. S. Boyd).
For the Dawsons: Stephen Oliver QC and William Massey (Turner, Kenneth Brown, agents for Browne, Jacobson and Rose, Nottingham).
By Rachel Davies Barrister

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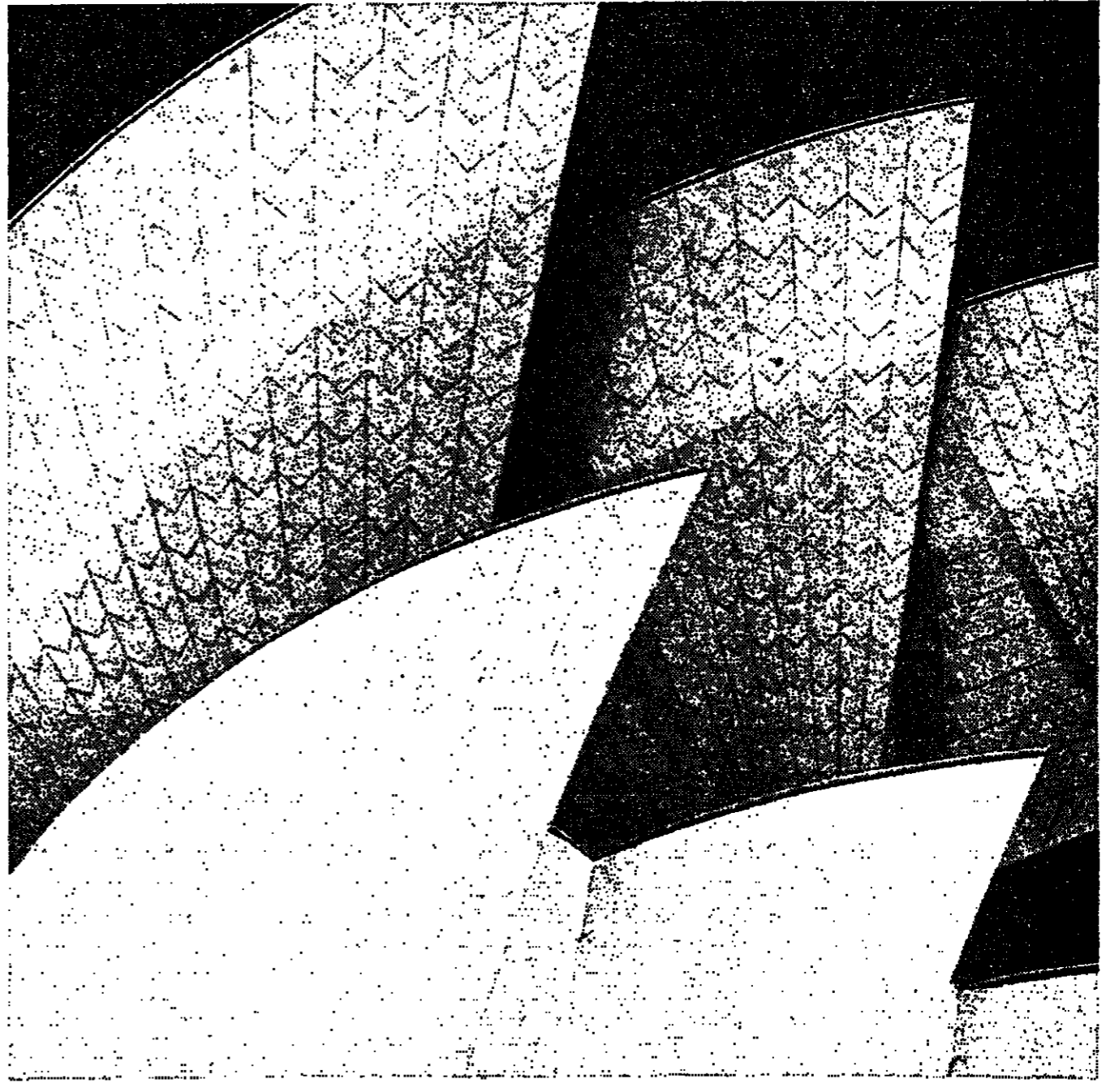
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THE MANAGEMENT PAGE: Small Business

South Hants manufacturers

Bypassing recession

EVERY BUSINESS can recount a tale of woe or achievement based on its experience in the last two to three years. But how have small firms generally fared during the recession?

Of the 37 which survived as independent companies (one out of the 52 was taken over by a private company and two moved out of south Hampshire), the majority had managed to increase their turnover in the previous three years, and most of those well above the rate of inflation.

under the Department of Trade and Industry support scheme for innovation. The Loan Guarantee Scheme, the Microprocessor Application Project and the Export Credit Guarantee Scheme were also taken up.

Just 10 companies were regarded by their owners as "innovative" and there was little evidence of previously "non-innovative" firms changing their spots. More than half, however, reported changes in their activities, the most frequent being an increase in the range of their products or process and shifts in the balance of activities.



"Aye—there's been a lot of changes around here in the last couple of years"

Tax status conundrum

"WILL he explain to his Right Hon Friend the Chancellor of the Exchequer that, while he is boasting about the measures that he has introduced to help small businesses, his Department, through the reclassification of the self-employed as employed, is sabotaging the same small firms that he claims he is trying to help?"

The Revenue should be concerned about which category a taxpayer falls within. The tax system should not determine the economy's work pattern.

spokesman, denying allegations of a witch-hunt. Much of this activity is known to stem from the Revenue's Special Offices but the federation claims that the "general work of local inspectors on less spectacular routine classification has not yet been brought to light, or admitted by the Government."

Lloyds Bank plugs a lending gap

INCREASED competition for business customers has kept the banks' marketing men firmly on their toes in recent years. For while there are without doubt more similarities than differences between the UK's "Big Four" lenders, each remains anxious to steal a march on its rivals.

Lloyds Bank, for example, to unveil a Business Loan scheme whose flexibility and simplicity, it claims, will allow companies to switch from a fixed rate to a rate linked to base rate, or vice versa, once every five years. At the same time, however, Lloyds will also have the option to readjust a fixed rate upwards if interest rates in the meantime move higher.

Small business abstracts

Developing graduate skills. Industrial Society (UK), Sept. '83. Outlines the objectives of the government-sponsored Teaching Company Scheme—to develop young graduates for careers in industry, improve manufacturing through its use of academic knowledge/advanced technology, and increase industrial/academic collaboration by providing research projects. Describes how it works, and the benefits it provides for participants, particularly smaller firms.

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Although the Council has this site opportunity, together with substantial financial resources towards the capital or revenue costs of such a scheme, it realises that with the current constraints on public expenditure it can not hope to realise the potential of the site unless the private sector can be encouraged to join it in a partnership. The Council, therefore, now wishes to hear from developers and other commercial organisations who might be interested in developing such an arrangement.

A prospectus setting out more details of the opportunity is available from the Department of the Chief Executive and Clerk, Broadland District Council, Thorpe Lodge, Yarmouth Road, Norwich, NR7 0DU (Tel: Norwich 31133 - Ext. 337 or 426).

Broadland District Council

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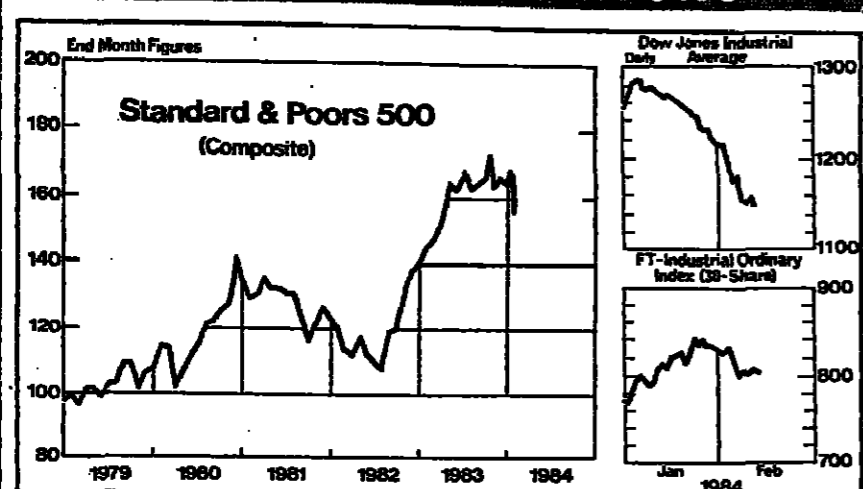
SECTION III - INTERNATIONAL MARKETS
FINANCIAL TIMES

Tuesday February 14 1984

FEB
 MANUFACTURERS & SUPPLIERS
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KEY MARKET MONITORS



STOCK MARKET INDICES			
	Feb 13	Previous	Year ago
NEW YORK			
DJ Industrials	1150.13	1180.70	1086.50
DJ Transport	507.81	514.55	479.91
DJ Utilities	125.63	127.17	123.86
S&P Composite	155.17*	156.30	147.82
LONDON			
FT Ind Ord	803.00	805.40	660.70
FT-A All-share	482.65	481.97	412.08
FT-A 500	515.74	514.95	447.11
FT-A Ind	470.88	471.04	420.72
FT Gold mines	589.90	595.30	712.50
FT Govt secs	82.60	82.49	79.21
TOKYO			
Nikkei-Dow	9963.16	9959.90	9017.56
Tokyo SE	774.07	775.40	583.22
AUSTRALIA			
All Ord.	738.80	743.40	508.20
Metals & Mins.	512.40	518.50	455.90
AUSTRIA			
Credit Aktien	55.48	55.35	48.74
BELGIUM			
Belgian SE	141.81	140.80	105.92
CANADA			
Toronto Composite	2377.8	2410.50	2121.60
FRANCE			
CAC 40	188.20	183.60	104.70
Ind. Tendence	107.30	106.80	108.30
WEST GERMANY			
FAZ-Aktien	352.37	351.54	259.48
Commerzbank	1039.30	1037.20	779.70
HONG KONG			
Hang Seng	1082.36	1050.77	931.40
ITALY			
Banca Comm.	218.79	218.57	196.88
NETHERLANDS			
ANP-CBS Gen	159.40	158.70	108.40
ANP-CBS Ind	131.90	131.20	94.20
NORWAY			
Oslo SE	240.18	238.83	136.09
SINGAPORE			
Straits Times	1068.44	1060.20	798.60
SOUTH AFRICA			
Gold	n/a	901.80	994.70
Industrials	n/a	972.70	836.10
SPAIN			
Madrid SE	closed	111.89	103.42
SWEDEN			
J & P	1580.33	1580.82	1134.07
SWITZERLAND			
Swiss Bank Ind	366.00	365.90	306.00
WORLD			
Capital Int'l	178.90	179.10	160.50
GOLD (per ounce)			
	Feb 13	Previous	Year ago
London	\$377.25	\$378.50	\$377.75
Zurich	\$376.75	\$377.75	\$377.75
Paris (Baring)	\$377.78	\$377.41	\$377.41
Luxembourg (Baring)	\$377.50	\$380.85	\$377.50
New York (Feb)	\$377.20	\$377.90	\$377.90

CURRENCIES			
	Feb 13	Previous	Feb 13
U.S. DOLLAR			
(London)	Feb 13	Previous	Feb 13
\$	-	-	1.4180
DM	2.7375	2.7435	3.8850
Yen	234.35	234.65	332.50
FFr	8.4200	8.4500	11.9400
SwFr	2.2375	2.2370	3.1750
Quilbar	3.0865	3.0910	4.38
Lira	1685.00	1687.00	2389.00
BS	56.06	56.15	79.50
C£	1.24725	1.24625	1.7885
STERLING			
(London)	Feb 13	Previous	Feb 13
\$	-	-	1.4180
DM	2.7375	2.7435	3.8850
Yen	234.35	234.65	332.50
FFr	8.4200	8.4500	11.9400
SwFr	2.2375	2.2370	3.1750
Quilbar	3.0865	3.0910	4.38
Lira	1685.00	1687.00	2389.00
BS	56.06	56.15	79.50
C£	1.24725	1.24625	1.7885
INTEREST RATES			
Euro-currencies			
(3-month offered rate)	Feb 13	Prev	
E	9 3/4	9 3/4	
SwFr	9 3/4	9 3/4	
DM	9 3/4	9 3/4	
FFr	15 1/2	15 1/2	
FT London Interbank fixing			
(offered rate)			
3-month U.S.\$	10	9 3/4	
6-month U.S.\$	10 1/2	10 1/4	
U.S. Fed Funds	9 1/2	9	
U.S. 3-month CDs	9.50	9.50	
U.S. 3-month T-bills	9.05	9.03	
U.S. BONDS			
Treasury			
	Feb 10	Prev	
10% 1986	99 3/4	107.1	100
11% 1991	100 1/4	117.3	100 1/2
11 1/2 1993	99 3/4	118.0	100 1/2
12 2013	100 3/4	119.2	101 1/2
Corporate			
	Feb 13	Prev	
AT & T	Price	Yield	Price
10% June 1990	94	11.70	94
3% July 1990	68	10.75	68
8% May 2000	75	12.20	75
Xerox	Price	Yield	Price
10% March 1993	92	11.85	92
Diamond Shamrock	Price	Yield	Price
10% May 1993	91	12.15	91
Federated Dept Stores	Price	Yield	Price
10% May 2013	87 1/2	12.20	87 1/2
Abbot Lab	Price	Yield	Price
11.80 Feb 2013	96 1/2	12.20	96 1/2
Alcoa	Price	Yield	Price
12% Dec 2012	96 1/2	12.65	96 1/2
FINANCIAL FUTURES			
CHICAGO			
Latest High Low Prev			
U.S. Treasury Bonds (CBT)			
9% 32nds of 100%			
March	69-23	69-27	69-22
U.S. Treasury Bills (TMM)	\$1m points of 100%		
March	90.90	90.94	90.90
Certificates of Deposit (CMM)	\$1m points of 100%		
March	90.34	90.37	90.33
LONDON			
Three-month Eurodollar			
\$1m points of 100%			
March	90.15	90.16	90.13
20-year National Gilt			
£50,000 32nds of 100%			
March	108-13	108-15	108-06
COMMODITIES			
(London)	Feb. 13	Prev	
Silver (spot fixing)	613.45p	616.85p	
Copper (cash)	£983	£983.50	
Coffee (March)	£2124.00	£2098.00	
Oil (spot Arabian light)	\$28.42	\$28.50	

WALL STREET

Underlying trends face severe test

INVESTORS and analysts braced themselves yesterday for the start of a trading week on Wall Street which is likely to prove a severe test of the underlying trends of the stock market, writes Terry Byland in New York.

Indications were being awaited whether Friday's rally was the first sign of a recovery in the market, or merely a pause before stocks resume their downward path.

But Wall Street was working at only half steam yesterday with the federal bond and money markets, together with the New York Federal Reserve and most New York banks, closed for Lincoln's birthday.

The stock market fell sharply in the afternoon when the Dow Jones industrial average was more than 17 points down, but dealers agreed that the market was hardly active enough to provide a genuine test of investment attitudes.

The day's total of 78.9m shares traded was the lowest this year, and even a shade below that of the post-Christmas period. Helped by a rally in the last hour of trading, the Dow closed a net 10.57 points off at 1,150.13, its lowest point since April 12 last year.

The stock market was still absorbing Friday's unwelcome news that U.S. money supply is rising sharply. A \$3bn rise in M1 for the latest reporting week was in line with expectations but the trend of M1 - up 11 per cent in January - was giving cause for disquiet.

This week will bring further evidence of economic trends in the form of retail sales, personal income and industrial production for January.

The major corporate news came from Ford Motor, which announced a glittering profit performance for last year. However, after General Motors' profit figures, the market had been expecting a similar performance from the number two of the industry and Ford eased 5 1/2 to 37 1/2 in modest turnover.

Again, the market was discouraged by IBM, once its most favoured stock, which dipped 1 1/2 to \$108 1/2 in relatively brisk trading.

Other major issues to soften included General Motors, 5/8 off at \$68 1/2; General Electric, 1/4 down at \$52 1/2; and United Technologies, 5/8 down at \$64 1/2.

NCR, a depressed stock for some weeks now, shed a further 3/4 to \$109 1/2. Eastman Kodak at \$68 gave up 3/4.

The Dow transportation average fell away once more, with both rail and airline issues suffering losses.

UAL (United Airlines) slipped 3/4 to \$32 1/2 while among the rail issues - still regarded as likely to suffer from the predicted slowdown in the U.S. economy - Chicago Milwaukee shed 3/4 to \$111 and Burlington Northern, at \$85 1/2, gave up 1 1/2.

Of the aerospace issues, McDonnell Douglas continued to weaken despite the settlement of the protracted work stoppage, losing a further 3/4 to \$56 1/2.

St Regis, the paper group, eased 1/4 to \$3 1/4 after widespread reports that Sir James Goldsmith, the UK financier, had been the buyer of a large stake traded recently.

The oil sector continued to attract the takeover speculators.

At \$4 1/4, Gulf Oil was 2 1/2 down as the board hastened to build bid defences after saying it had discovered a plan by Mr T. Boone Pickens to take over the company.

Texaco, at \$39 1/2, lost 5/8 as the market awaited confirmation that the takeover

of Getty Oil would shortly gain Federal Trade Commission approval.

Both the corporate and municipal bond markets traded yesterday but, lacking a lead from the New York federal bond sector, quotations weakened marginally in thin trading.

The caution deepened when the U.S. Treasury bond futures contract for March delivery slipped to 89.27 on the Chicago exchange, seven basis points down on Friday's close in New York.

EUROPE

Investors crowd the sidelines

A CAUTIOUS start to the week was in evidence in most European bourses yesterday with shares narrowly mixed in generally quiet trading.

In Frankfurt, a Bank für Gemeinwirtschaft review of stock prospects quashed any long-term bullish sentiments and warned investors to expect West German shares to be more vulnerable to adverse economic news and fluctuations on Wall Street. A period of consolidation was to be expected.

Banks were mixed. Dresdner Bank trading was unaffected by a board resignation and finished 30 pig firmer at DM 175. Commerzbank also rose, with a DM 2 gain to DM 182, but Deutsche Bank shed DM 1 to DM 376.

Motors saw Daimler-Benz rise DM 4 to DM 576 ex rights as BMW put on DM 3.50 to DM 422.50. Chemicals were slightly higher.

The Commerzbank index, calculated at mid-session, added 2.1 to 1,039.3.

Bonds were steady as the new Bundespost DM 1bn, 8 1/4 per cent issue was announced and the Bundesbank sold DM 6.7m of paper.

A directionless Amsterdam session had professionals packing the sidelines waiting for a trend to emerge. The ANP-CBS index nevertheless finished 0.7 higher at 159.4.

Insurer Amfias was a feature with a FI 8.50 gain to FI 175 as the group reached agreement with trade unions over the proposed takeover by Nat-Ned.

Bonds were anchored to Friday's levels.

Belgian and foreign shares finished steady in a quiet Brussels session. The market leader, Petrofina, secured a BFr 40 rise to BFr 6,800 in thin volume, while retail chain Delhaize advanced BFr 240 to BFr 5,280. Steels were mixed while chemicals, utilities and holding companies improved.

Milan also moved marginally higher pending final agreement on a reform of the country's wage indexation system and the implementation of an incomes policy.

In partial response to higher domestic car sales for January, Fiat added L20 to L4,040 and Banca Commerciale rose L1,100 to L37,100 following Friday's announcement of a large capital increase operation.

Bonds were neglected. A firmer bias developed towards the end of the Paris session as some investors were heartened by the pre-weekend recovery on Wall Street.

Motor stocks steadied after early weakness generated by news that car registrations for January had fallen by 9 per cent. Although Peugeot increased its market share, it was rewarded with a FFr 1 fall to FFr 235.

Improved trading figures for l'Oréal for 1983 spurred a FFr 70 rise to FFr 2,220.

Banks in Zurich were discouraged by the restraint in Swiss Volksbank's dividend increase although Crédit Suisse

moved against the trend with a SwFr 10 rise to SwFr 2,340. Volksbank closed SwFr 30 down at SwFr 1,490.

In industrials, trading in the secondary issue Monteforno was temporarily suspended after it sold its lossmaking U.S. subsidiary New Jersey Steel, but it returned to finish at SwFr 76, a gain of SwFr 8.

Engineering, chemicals and foods closed stronger. Bonds lacked impetus.

Pulp and paper stocks in Stockholm performed well although the best increase for the day came from Sandvik, the special steel group, which rose SKr 21 to SKr 340 despite posting a record loss on Friday.

Heavy engineer Asea was unchanged at SKr 435 while Boliden, the metal and mining group, gained SKr 12 to SKr 420.

In Oslo, a 4 1/2 per cent boost in sales and after-tax profits for Norsk Hydro was reflected in a Nkr 7.50 rise to Nkr 560. Banks improved.

HONG KONG

SPECULATIVE buying in advance of tomorrow's government auction of a prime development site enabled shares to open firmer in Hong Kong, reversing the sharply lower trend of the previous two sessions.

However, profit-taking later by South-East Asian investors took prices off their highs.

Among the leaders, Cheung Kong rose 10 cents to HK\$9.45, Hongkong Land 5 cents to HK\$3.75 and Sun Hung Kai Properties 5 cents to HK\$6.75. Swire Properties moved against the trend, shedding 5 cents to HK\$6.20.

SINGAPORE

SECOND-LINE industrials were the only issues to find active demand in Singapore, and early gains in other sectors were pared by later profit-taking.

Perlis Plantations, the most active stock with 1.08m shares traded, closed 35 cents higher at S\$5.85. Among other actives, Wearnes rose 2 cents to S\$4.96 and General Rubber added 23 cents to S\$2.93.

AUSTRALIA

NERVOUS domestic selling into a quiet market left Sydney lower on the day, despite some overseas support for major issues.

At the close, the All Ordinaries index was down 5 at 738.4.

Banks were among the larger losers, with National Australia Bank down 15 cents to A\$3.45 and Westpac 5 cents to A\$3.73.

LONDON

Caution turns to lethargy

EXTREME caution in the attitudes of institutional operators and smaller investors alike was the only clear development on the first day of a new equity trading account in London.

The lethargic mood was captured by the FT Industrial Ordinary index which was down marginally throughout the session because of dividend cuts by four of its constituents, and closed 2.4 lower at 803.

Renewed strength in engineering leader TI provided some colour despite the chairman's denial of any bid approaches, and it finished 12p up at 230p after touching 240p.

Gilts of all maturities edged higher although business was extremely light.

Details, Page 35; Share information service, Pages 36-37

TOKYO

Uncertainty proves the keynote

IN THE ABSENCE of any strong motivations, the Tokyo stock market remained depressed yesterday after falling below the 10,000 level on Friday, although sporadic buying was evident in speculative issues, writes Shigeo Nishiwaki of Jiji Press.

Leading blue chips remained out of favour and bank issues, which attracted buyers last week, retreated across the board.

The Nikkei-Dow Jones average was little changed at 9,963.16, up 3.25 from Friday's close, with 174.54m shares changing hands, the lowest since November 7 and down sharply from the 323.21m traded on Friday.

Lack of investment incentives was an obvious factor yesterday. Investors were generally uncertain about when Wall Street's decline would run its course and about the international outlook after the death of Mr Yuri Andropov, the Soviet leader. Moreover, investors were deeply concerned that margin debt continued to grow last week, running close to an all-time high.

In the face of bearish factors, many investors were thus worried about the market's prospects, though last week's selective buying of speculative issues, extremely high-priced stocks and bank issues had helped sustain turnover and prices at high levels.

Only a few speculative issues attracted buying interest. Japan Wool Textile benefited from reports that it had gained large hidden profits from its property holdings, rising Y20 to Y445. Gunze gained Y18 to Y253 and Niigata Engineering Y18 to Y258.

Matsushita Electric Industrial and Sony firmed Y10 and Y40 respectively, to Y1,790 and Y3,590, but Kyocera fell Y10 to Y10,000. Toyota Motor also eased Y20 to Y11,270.

Bank issues, which had surged on reports of large off-the-record profits from their stockholdings, pared some of the gains posted last week. Sumitomo Bank slipped Y20 to Y880, Fuji Bank Y13 to Y780, and most of the other city and regional banks lost ground. Tokyo Electric Power also slipped Y10 to Y1,380 and other electric power companies' stocks and gas issues also retreated.

The bond market changed little in the absence of any heavy buying by institutional investors. The yield on the benchmark 7.5 per cent long-term government bond, due January 1993, at 7.39 per cent remained unchanged from Friday.

SOUTH AFRICA

GOLD SHARES eased slightly in line with the bullion price in very thin Johannesburg trading, after failing to find any direction earlier.

Among heavyweights, Winkels shed R1 at R54 while Vaal Reefs was down R7.25 at R147.24, trading ex-dividend. Other mining and financial issues were little changed but diamonds weakened with De Beers falling

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Handwritten note: "هذا هو القليل"

Main table of American Stock Exchange Composite Closing Prices, organized by sector (A-Z) and listing various stocks with their closing prices and volume.

Continued on Page 34

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table of New York Stock Exchange Composite Closing Prices, organized by sector (A-Z) and listing various stocks with their closing prices and volume.

Continued on Page 34

Notes and footnotes regarding the data, including information about unaffiliated figures, weekly and monthly averages, and dividend information.

WORLD STOCK MARKETS

CANADA

Table of Canadian stock market closing prices for Feb 13, including companies like Alcan, Inco, and various banks.

DENMARK

Table of Danish stock market closing prices for Feb 13, including companies like Aalborg, Carlsberg, and various banks.

NETHERLANDS

Table of Dutch stock market closing prices for Feb 13, including companies like ADF, Alkermid, and various banks.

AUSTRALIA

Table of Australian stock market closing prices for Feb 13, including companies like ANZ Group, BHP, and various banks.

JAPAN (continued)

Table of Japanese stock market closing prices for Feb 13, including companies like Daiichi Kangyo Bank, Daiwa Kangyo Bank, and various banks.

OVER-THE-COUNTER Nasdaq National Market closing prices

Table of over-the-counter stock market closing prices for Feb 13, including companies like Amgen, Biogen, and various pharmaceuticals.

AUSTRIA

Table of Austrian stock market closing prices for Feb 13, including companies like Creditanstalt, Erste Bank, and various banks.

GERMANY

Table of German stock market closing prices for Feb 13, including companies like Allianz, Bayer, and various banks.

SPAIN

Table of Spanish stock market closing prices for Feb 10, including companies like Banco Bilbao, Banco Central, and various banks.

HONG KONG

Table of Hong Kong stock market closing prices for Feb 13, including companies like Bank East Asia, Cheung Kong, and various banks.

JAPAN

Table of Japanese stock market closing prices for Feb 13, including companies like Ajinomoto, Daiichi Kangyo Bank, and various banks.

SINGAPORE

Table of Singapore stock market closing prices for Feb 13, including companies like Boustead Hedges, Chartered Bank, and various banks.

SOUTH AFRICA

Table of South African stock market closing prices for Feb 13, including companies like Anglo American, Anglo Coal, and various banks.

BELGIUM/LUXEMBOURG

Table of Belgian/Luxembourg stock market closing prices for Feb 13, including companies like ARBED, Belfort, and various banks.

ITALY

Table of Italian stock market closing prices for Feb 13, including companies like Banca Com, Credito Italiano, and various banks.

SWITZERLAND

Table of Swiss stock market closing prices for Feb 13, including companies like Alusuisse, Brown Boveri, and various banks.

SWEDEN

Table of Swedish stock market closing prices for Feb 13, including companies like ASEA, Astra, and various banks.

NEW YORK

Table of New York stock market closing prices for Feb 13, including companies like IBM, AT&T, and various banks.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Table of American stock market closing prices for Feb 13, including companies like IBM, AT&T, and various banks.

NEW YORK CLOSING PRICES

Table of New York stock market closing prices for Feb 13, including companies like IBM, AT&T, and various banks.

Continued on Page 42

Indices

Table of stock market indices for Feb 13, including NYSE, Dow Jones, and various regional indices.

NEW YORK-DOW JONES

Table of Dow Jones industrial average components for Feb 13.

STANDARD AND POORS

Table of Standard and Poors 500 index components for Feb 13.

W-T-W

Table of W-T-W index components for Feb 13.

X-Y-Z

Table of X-Y-Z index components for Feb 13.

U-U-U

Table of U-U-U index components for Feb 13.

W-W-W

Table of W-W-W index components for Feb 13.

X-Y-Z

Table of X-Y-Z index components for Feb 13.

Companies and Markets

LONDON STOCK EXCHANGE

RECENT ISSUES

MARKET REPORT

Confidence remains shaken by recent Wall St events but TI again resist strongly

Account Dealing Dates... First Declared Last Account Dealings... Confidence remains shaken by recent Wall St events but TI again resist strongly

places with Hambros notable for a gain of 5 to 15p... Confidence remains shaken by recent Wall St events but TI again resist strongly

FINANCIAL TIMES STOCK INDICES

Table showing Financial Times Stock Indices for Feb 10, 11, 12, 13, 14, 1984. Includes Government Secs, Fixed Interest, Industrial, etc.

HIGHS AND LOWS S.E. ACTIVITY

Table showing Highs and Lows and S.E. Activity for various stock categories like Govt. Secs, Fixed Int., Ind. Ord., etc.

Group found support and firmed 3 to 50p... Confidence remains shaken by recent Wall St events but TI again resist strongly

more to 135p... Confidence remains shaken by recent Wall St events but TI again resist strongly

EQUITIES

Table of Equities with columns for Stock, Price, Change, etc.

FIXED INTEREST STOCKS

Table of Fixed Interest Stocks with columns for Stock, Price, Change, etc.

"RIGHTS" OFFERS

Table of Rights Offers with columns for Stock, Price, Change, etc.

OPTIONS

Table of Options with columns for Stock, Price, Change, etc.

ACTIVE STOCKS

Table of Active Stocks with columns for Stock, Price, Change, etc.

NEW HIGHS AND LOWS FOR 1983/84

Table of New Highs and Lows for 1983/84 with columns for Stock, Price, Change, etc.

FRIDAY'S ACTIVE STOCKS

Table of Friday's Active Stocks with columns for Stock, Price, Change, etc.

Renewed strength in Engineering... Confidence remains shaken by recent Wall St events but TI again resist strongly

Chemicals fluctuated narrowly... Confidence remains shaken by recent Wall St events but TI again resist strongly

of his private company 100,000... Confidence remains shaken by recent Wall St events but TI again resist strongly

Leading Electricals were... Confidence remains shaken by recent Wall St events but TI again resist strongly

Noteworthy movements in... Confidence remains shaken by recent Wall St events but TI again resist strongly

Interest was at a low level... Confidence remains shaken by recent Wall St events but TI again resist strongly

RISES AND FALLS YESTERDAY

Table of Rises and Falls Yesterday with columns for Stock, Price, Change, etc.

Oils below best

Leading oils opened on a firm note... Confidence remains shaken by recent Wall St events but TI again resist strongly

Smith's Dock wins £4m barge order

SMITH'S DOCK, at South Bank... Confidence remains shaken by recent Wall St events but TI again resist strongly

Delagety improve

Movements in the miscellaneous... Confidence remains shaken by recent Wall St events but TI again resist strongly

EUROPEAN OPTIONS EXCHANGE

Table of European Options Exchange with columns for Series, Vol., Last, etc.

LONDON TRADED OPTIONS

Table of London Traded Options with columns for Option, Price, Change, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table of FT-Actuaries Share Indices with columns for Index No., Day's Change, etc.

FIXED INTEREST

Table of Fixed Interest with columns for Price, Index, etc.

Yield, Highs and lows... A new list of constituents is available from the Publishers, The Financial Times, Cannon Street, London, EC4A 3DF, price 15p, post 20p.

FT LONDON SHARE INFORMATION SERVICE

HOTELS—Continued

COMMITMENT That's BTR

BRITISH FUNDS

Table of British Funds with columns for Name, Price, and % Change.

Five to Fifteen Years

Table of British Funds categorized by 5 to 15 year maturity.

Over Fifteen Years

Table of British Funds categorized by over 15 year maturity.

Index-Linked

Table of Index-Linked British Funds.

INT. BANK AND O'EAS GOVT. STERLING ISSUES

Table of International Bank and Overseas Government Sterling Issues.

CORPORATION LOANS

Table of Corporation Loans.

COMMONWEALTH AND AFRICAN LOANS

Table of Commonwealth and African Loans.

LOANS

Table of various Loans.

Public Bond and Ind.

Table of Public Bond and Industrial shares.

FOREIGN BONDS & RAILS

Table of Foreign Bonds and Rails.

AMERICANS

Table of American Stocks.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of Building Industry, Timber and Roads stocks.

DRAPERY—Continued

Table of Drapery stocks (Continued).

ENGINEERING—Continued

Table of Engineering stocks (Continued).

INDUSTRIALS (Misc.)

Table of Industrial (Miscellaneous) stocks.

CANADIANS

Table of Canadian Stocks.

BANKS, H.P. AND LEASING

Table of Banks, H.P. and Leasing stocks.

ELECTRICALS

Table of Electrical stocks.

FOOD, GROCERIES, ETC.

Table of Food, Groceries, etc. stocks.

HOTELS AND CATERERS

Table of Hotels and Caterers stocks.

CHEMICALS, PLASTICS

Table of Chemicals and Plastics stocks.

DRAPERY AND STORES

Table of Drapery and Stores stocks.

ENGINEERING

Table of Engineering stocks.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits stocks.

Hire Purchase, Leasing, etc.

Table of Hire Purchase, Leasing, etc. stocks.

BEERS, WINES AND SPIRITS

Table of Beers, Wines and Spirits stocks.

ENGINEERING

Table of Engineering stocks.

HOTELS AND CATERERS

Table of Hotels and Caterers stocks.

HOTELS AND CATERERS

Table of Hotels and Caterers stocks.

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INDUSTRIALS—Continued

Table of stock prices for various industrial companies, including columns for stock name, price, and change.

LEISURE—Continued

Table of stock prices for various leisure and entertainment companies.

PROPERTY—Continued

Table of stock prices for various property and real estate companies.

INVESTMENT TRUSTS—Cont.

Table of stock prices for various investment trusts.

OIL AND GAS—Continued

Table of stock prices for various oil and gas companies.

NOMURA INTERNATIONAL LIMITED NEW-ERA INVESTMENT AND UNDERWRITING OFFICES WORLDWIDE 3 Church Street EC3V 9AD Telephone (01) 281 8811

MINES—continued

Table of stock prices for various mining companies, including sub-sections for Australians, Overseas Traders, and Miscellaneous.

NOTES

Notes section containing financial information and company announcements.

PLANTATIONS

Table of stock prices for various plantation companies.

REGIONAL AND IRISH STOCKS

Table of stock prices for regional and Irish stocks.

OPTIONS

Table of options prices for various stocks.

INSURANCE

Table of stock prices for various insurance companies.

LEISURE

Table of stock prices for various leisure companies.

PROPERTY

Table of stock prices for various property companies.

PROPERTY

Table of stock prices for various property companies.

TRUSTS, FINANCE, LAND

Table of stock prices for various trusts, finance, and land companies.

PROPERTY

Table of stock prices for various property companies.

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AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs., UK Specialist Funds, and others, with columns for name, manager, and dates.

FT UNIT TRUST INFORMATION SERVICE

Large table listing numerous unit trusts including Crown Unit Trust Services Ltd., Guinness (Joint) Unit Mgrs., and many others, with columns for name, manager, and dates.

Table listing insurance companies and their products, including Abbey Life Assurance Co. Ltd., Prudential, and others.

INSURANCES

Table listing various insurance policies and services, including AA Friendly Society, Abbey Life Assurance Co. Ltd., and others.

Insurances—continued

Continuation of insurance listings, including Abbey Life Assurance Co. Ltd., Prudential, and others.

Key Fund Managers Ltd.

Table listing key fund managers and their associated unit trusts.

St George Assurance Co Ltd

Table listing St George Assurance Co Ltd products and services.

Money Market

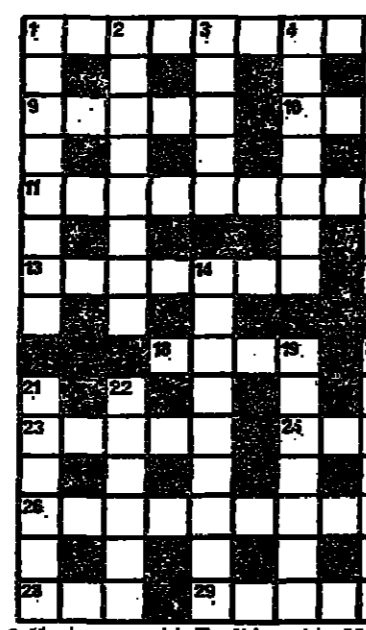
Table listing money market rates and financial data.

F.T. CROSSWORD

PUZZLE No. 5342

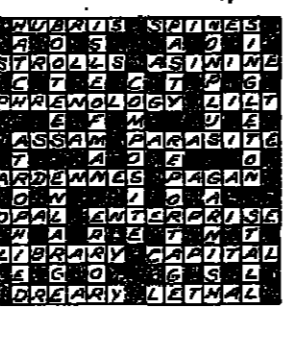
ACROSS

- 1 Minister's entrance in the City of London (11)
7 Settled on Continental bed (9)
9 Get to know Edward, a bridge player (5)
10 Snuggler has drink with athlete (3-6)
11 Iris hurried to church with bintanary (9)
12 One girl or another in The Forsyte Saga (5)
13 Trusts those responsible for film production (7)
14 Natterjack for example could appear as a dot (4)
15 Defect at ground level so to speak (4)
20 Excellent service to Lynsede but outcome is colourless (7)
23 Wag returning to ring Athenian statesman (5)
24 To Elgar the unfinished version is somewhat slow (9)
25 You must stay up to hear this singer! (5-4)
27 It sounds like a tennis fiddle (5)
28 Indian clerk has no car for schoolmaster (3)
29 Blackening two hundred engineers ordered (11)
DOWN
1 Type having courageous countenance (4, 4)
2 Are waste products damaging goods on board? (3-3)
3 Proprietor 'the ox knoweth' in Isaiah (5)
4 Moves usually to city in the Transvaal (7)
5 Member's support a jolly break from acting (3-4)



6 Having tea with Euclid could make it clear (9)
7 Letter with underwear missing that is (6)
8 Joseph Mallord, worker at the lath (6)
14 Little no possibly obtained dishonestly (3-6)
16 Coward cut up to Ayrshire burgh (8)
17 Revive Nevada city tax point (10)
18 Teed as was Barkis? (7)
20 Shorten a spanner? (7)
21 Said no perhaps but loved by Aphrodite (6)
22 Royal park attendant called on the queen (6)

Solution to Puzzle No. 5341



Offshore & Overseas—continued

Table listing offshore and overseas financial services and companies.

Money Market Bank Accounts

Table listing money market bank accounts and interest rates.

Handwritten signature or mark at the bottom of the page.

Handwritten note in Arabic script: "مركز ابحاث"

INSURANCE & OVERSEAS MANAGED FUNDS

Table of insurance and managed funds, including entries for C.T. Management Ltd., British Home Life Ass. Co. Ltd., and various international funds.

Table of insurance and managed funds, including entries for Lloyd's Life Assurance Co., Property Growth Assur. Co. Ltd., and Standard Life Assurance Company.

Table of insurance and managed funds, including entries for Bank of America International S.A., Standard Life Assurance Company, and various international funds.

Table of insurance and managed funds, including entries for Richmond Life Ass. Ltd., Royal Bank of Canada Funds, and various international funds.

OFFSHORE AND OVERSEAS

Table of offshore and overseas managed funds, including entries for Adis Investment, Aberdeen Fund Management Limited, and various international funds.

Notes and disclaimers regarding the fund information, including a section titled 'NOTES'.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lower in quiet trade

The dollar drifted lower in very quiet foreign exchange trading, unable to sustain the slightly firmer tone seen from time to time. After an initial weakness there was little change however as European traders declined to move the currency very far in the absence of U.S. trading, where banks were closed for Lincoln's Birthday.

figures, fell to 130.1 from 130.2. It weakened to DM 2.7375 from DM 2.7435 against the Deutschmark; FFR 8.43 from FFR 8.45 against the French franc; and Y234.35 from Y234.65 in terms of the Japanese yen, but improved marginally to SwFr 2.2375 from SwFr 2.2370 against the Swiss franc.

other currencies, rising to DM 3.8850 from DM 3.8825; SwFr 3.1750 from SwFr 3.1650; and Y330.50 from Y332, but falling to FFR 11.94 from FFR 11.9450.

improved to DM 1.2229 from DM 1.2305. Within the EMS the Belgian franc improved slightly to DM 4.8840 per Bfr 100 from DM 4.8830 on Friday which was its lower permissible level and the French franc was lower at DM 32.485 per Ffr 100 from DM 32.495.

FINANCIAL FUTURES

Eurodollars steady

Euro-dollar prices showed little change in the London International Financial Futures Exchange yesterday. Trading was inhibited to some extent by the closure of U.S. cash markets for a public holiday and also the approach of U.S. economic statistics due for release later this week.

Git prices were also weaker initially on a lower U.S. bond market but the softer trend attracted little follow through and renewed interest pushed values firmer. There was a further attempt to push prices down during the afternoon but this met renewed resistance and values finished close to the day's highs. The March price opened at 108.08 down from 108.10 on Friday and sank to a low of 108.06 before coming back to a high of 108.15. It closed at 108.13.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Currency, Unit, % change from previous day, % change from previous week, Divergence from previous month.

THE POUND SPOT AND FORWARD

Table with columns: Day's Close, One month, Three months, Six months, Forward rates.

THE DOLLAR SPOT AND FORWARD

Table with columns: Day's Close, One month, Three months, Six months, Forward rates.

OTHER CURRENCIES

Table listing various currencies and their exchange rates against the dollar.

CURRENCY MOVEMENTS

Table showing percentage changes in currency values.

CURRENCY RATES

Table listing specific currency exchange rates.

EXCHANGE CROSS RATES

Table showing cross rates between major currencies like Pound Sterling, Deutsche Mark, French Franc, etc.

EURO-CURRENCY INTEREST RATES

Table showing interest rates for various Euro-currency deposits.

MONEY RATES

Table showing money market rates in London.

LONDON MONEY RATES

Table showing London money rates for different terms.

DISCOUNT HOUSES DEPOSIT AND BILL RATES

Table showing discount house rates for deposits and bills.

MONEY RATES NEW YORK

Table showing money rates in New York.

FT LONDON INTERBANK FIXING

Table showing interbank fixing rates in London.

DISCOUNT HOUSES DEPOSIT AND BILL RATES

Table showing discount house rates for deposits and bills.

MONEY RATES NEW YORK

Table showing money rates in New York.

DISCOUNT HOUSES DEPOSIT AND BILL RATES

Table showing discount house rates for deposits and bills.

MONEY RATES NEW YORK

Table showing money rates in New York.

DISCOUNT HOUSES DEPOSIT AND BILL RATES

Table showing discount house rates for deposits and bills.

Advertisement for 'YOUR COMPANY IMAGE' featuring key rings, cuff links, paperweights, and enamel badges. Includes contact information for Manhattan-Windsor.

Advertisement for 'MIKUNI'S CREDIT RATINGS' by GNI Limited, featuring bond issues and financial ratings. Includes contact information for GNI Limited.

Large table titled 'WORLD VALUE OF THE POUND' listing exchange rates for various countries and currencies. Includes columns for Country, Currency, and Value of £ Sterling.

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for February 13.

Table of international bond issues with columns for Issued, Bid, Offer, Change on day, and Yield. Includes sections for U.S. Dollars, Deutsche Mark, Swiss Franc, and other currencies.

Table of Yen Straights with columns for Issued, Bid, Offer, Change on day, and Yield.

Table of Other Straights with columns for Issued, Bid, Offer, Change on day, and Yield.

Table of Floating Rate with columns for Issued, Bid, Offer, Change on day, and Yield.

Table of Eurobonds with columns for Issued, Bid, Offer, Change on day, and Yield.

Table of Eurobonds (continued) with columns for Issued, Bid, Offer, Change on day, and Yield.

Table of Eurobonds (continued) with columns for Issued, Bid, Offer, Change on day, and Yield.

Table of Eurobonds (continued) with columns for Issued, Bid, Offer, Change on day, and Yield.

Table of Eurobonds (continued) with columns for Issued, Bid, Offer, Change on day, and Yield.

EUROBONDS

EIB draws on Swiss and German sectors

THE EUROPEAN Investment Bank tapped two continental bond markets yesterday with public issues of DM 250m in Germany and SwFr 100m in Switzerland. The 10-year D-Mark bond has an 8 per cent coupon at par and is led by Deutsche Bank. It proved popular with investors, trading at a small 1/2 point discount, well within the selling concession.

French agency taps Luxembourg market

CREDIT d'Equipe, a French state agency that specialises in lending to small businesses, is raising LuxFr 3.5bn in what is believed to be the largest loan ever arranged for a foreign borrower in the currency of the Grand Duchy.

Bundespost DM 1bn bond

THE BUNDESPOST, West Germany's postal authority, is to tap the capital market with a DM 1bn bond, which goes on sale from tomorrow for two days.

OVER-THE-COUNTER - Nasdaq National Market

Large table of over-the-counter market data with columns for Stock, Sales, High, Low, Last, and Change. Includes various stock symbols and their corresponding market data.

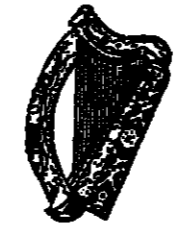


£76,900,000 Syndicated Guarantee Facilities

Arranged by Lloyds Bank International Limited



January 1984 This announcement appears as a matter of record only



Ireland £100,000,000

Medium Term Loan

- Lead Managed by Allied Irish Banks Limited, Bank of Ireland, The Bank of Nova Scotia Group, Bankers Trust International Limited, The Dai-ichi Kangyo Bank, Limited, The Fuji Bank, Limited, IBJ International Limited, Lloyds Bank International Limited, Samuel Montagu & Co. Limited, Smurfit Paribas Bank Limited, Orion Royal Bank Limited, Standard Chartered Bank PLC, The Sumitomo Bank, Limited

Managed by Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft, InterFirst Bank Dallas NA, The Mitsui Bank, Limited

- Provided by Allied Irish Banks Limited, Bank of Ireland, Standard Chartered Bank Ireland Limited, Lloyds Bank International Limited, The Bank of Nova Scotia Channel Islands Limited, The Royal Bank of Canada, The Dai-ichi Kangyo Bank, Limited, The Fuji Bank, Limited, The Industrial Bank of Japan, Limited, The Sumitomo Bank, Limited, Bankers Trust Company

- Samuel Montagu & Co. Limited, Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft, InterFirst Bank Dallas NA, Smurfit Paribas Bank Limited, The Mitsui Bank, Limited, Banque Paribas (London), The Daiwa Bank Limited, The Hokkaido Tokai Bank, Limited, The Sumitomo Trust and Banking Company Limited, Yorkshire Bank PLC

